

# State of 'in-housing' report 2023

Current trends  
within in-housing  
and outsourcing



# Contents

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<b>1</b>	<b>Introduction</b>	<b>3</b>
<b>2</b>	<b>Executive summary</b>	<b>4</b>
<b>3</b>	<b>Report methodology and respondent breakdown</b>	<b>6</b>
<b>4</b>	<b>What does in-housing look like now?</b>	<b>9</b>
<b>5</b>	<b>In-housing viability and capabilities</b>	<b>11</b>
	i) What capabilities are suitable for in-housing?	11
	ii) Which capabilities are most likely to grow in future?	12
	iii) Which functions are currently being in-housed?	13
<b>6</b>	<b>The future of the operational management of in-housed teams</b>	<b>17</b>
<b>7</b>	<b>Mind the gap: expectations vs reality</b>	<b>21</b>
<b>8</b>	<b>Making in-housing a success</b>	<b>25</b>
	Case study – E.ON’s in-housing decision process	30
<b>9</b>	<b>Conclusion</b>	<b>32</b>

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## 1 Introduction

**60% of respondents said they plan to in-house more of their marketing activity this year. The *State of in-housing* report, authored by Alchemists Marketing Advisory in association with trade body ISBA and marketing consultancy CvE, provides key learnings to inform your decision-making on the role of in-housing in your organisation design.**

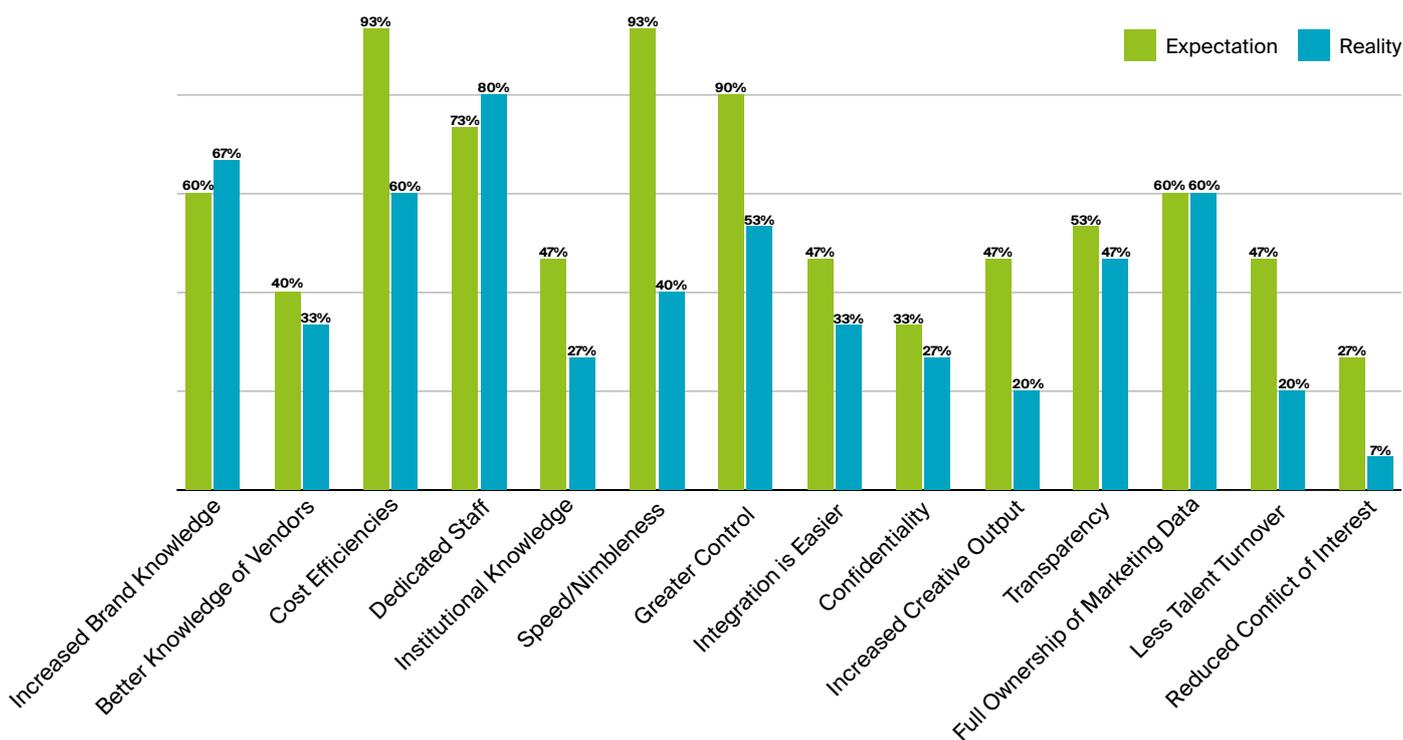
Its purpose is to help understand current trends within in-housing and outsourcing, how these options are perceived by those who must make the tough decisions, and what we can learn from recent experiences – particularly the gap between the hoped-for outcomes and the reality. We want the insights and informed views from qualitative interviews with marketers to make a valuable contribution to any business or agency researching a potential in-housing journey.

## 2 Executive summary

**This report is based on our exclusive research conducted with brands both possessing and lacking in-housed experience, supported by learnings we have developed through years of configuring and implementing modern in-housing structures.**

Although over 90% of brands in our sample noted having an active in-housed operation, there is an overall ambivalence towards the practice. Across several factors, there were significant gaps between specific expectations vs outcomes (reality). To ensure money, talent and opportunity are not wasted, brands will benefit from an understanding of why this gap exists and the potential fixes needed to deliver a return on their investment.

### What benefits did you expect when setting up an in-house operation?



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### Key insights from the research:

- Benefits achieved from in housing only exceeded expectations across increased brand knowledge and dedicated staff. Across 11 metrics, brands found that outcomes often fell short of expectations.
- Agility was an almost universal expectation (93%) for in-housing. In reality, only 40% of brands achieved it.
- Improved cost efficiency and control are less common than brands expect. In reality, only 53% of brands achieved greater control, and 60% achieved cost efficiencies.
- There was an overwhelming consensus that in-housed structures should be managed internally – surprising given the advertisers we have observed struggle to govern such in-house enterprises.
- More complex in-housing structures are linked to lower overall satisfaction due to the operational difficulties of management.
- External agencies still play an important role in supporting in-house operations.
- When it comes to adopting creative vs media capabilities within in-house operations, creative functions enjoyed a more positive reception across the board, whereas media was far more polarising.
- Talent acquisition and retention are at the forefront of marketers' minds when considering the challenges of in-housing, along with the resources needed, and technology required.
- The most successful in-house operations were those with the highest clarity of their vision and ability to communicate it internally. Cultural elements of the in-housing setup are essential for its success.
- Many organisations were successful in achieving their expected outcomes. Clarity of vision, appropriate planning and management were key contributors to success.

### 3 Report methodology and respondent breakdown

**The survey was designed to understand the current state of in-housing and its successes and failures (from both a creative and media standpoint) and to glean industry viewpoints regarding future trends. Additionally, it should help us put our learnings into perspective – to sense-check whether the trends we see are like those experienced by other brands.**

We wanted our questionnaire to feel relevant for organisations at any stage of their in-housing journey (including businesses not in-housing at all). All provided demographic data, and the survey then filtered respondents based on whether:

- i) they already have an in-house operation in place
- ii) are considering building an in-house operation
- iii) rely fully on external agency support

Those with an in-house operation were asked about their active setup, including capabilities, structure and budget and the benefits and drawbacks of in-housing they had experienced, with a particular lens on comparing expectations and reality.

Respondents thinking of beginning the in-housing journey were asked about their considerations for the process, including expected benefits and challenges, the level of sophistication they would be aiming for, and which marketing functions they would be looking to bring into their operation.

Those with no plans to in-house were asked about the barriers they think they'd face in building an in-house operation and what could persuade them to reconsider their choice.

The concluding section interrogated all respondents' views on the future of in-housing.

Almost half of our respondents came from the retail & e-commerce space, with a quarter coming from FMCG brands (*see Figure 1*). The research primarily reflects the views of large organisations, as two-thirds of respondents have 10,000+ employees. In terms of marketing budgets, the most prominent segment was £15-50 million, followed by £50-100 million and £100 million+ (*see Figure 4*).

Respondent seniority was overwhelmingly in senior management (53%), followed by mid-level management (21%), with 5% of our responses from C-suite executives.

Respondent demographics

Figure 1: What industry does your company operate in?

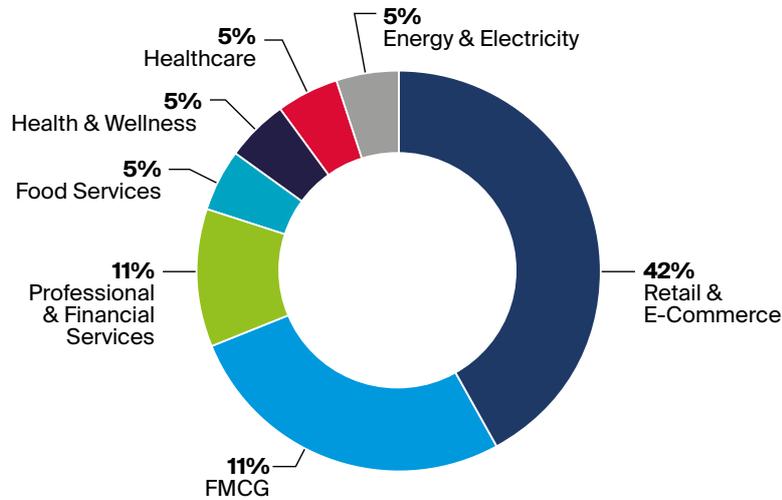


Figure 2: What is the size of your company?

Figure 3: What is the size of your marketing team?

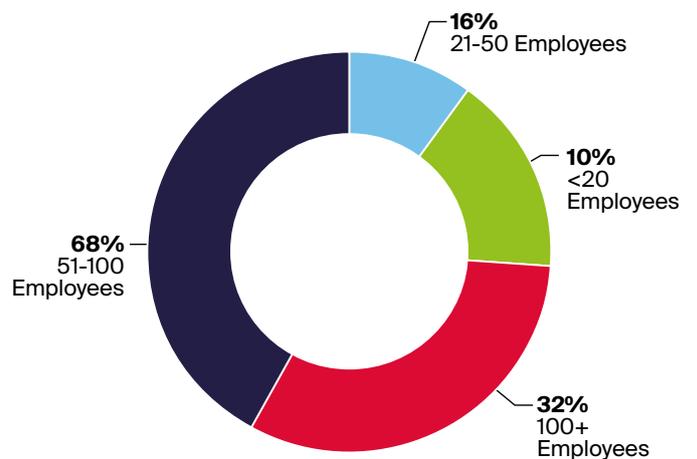
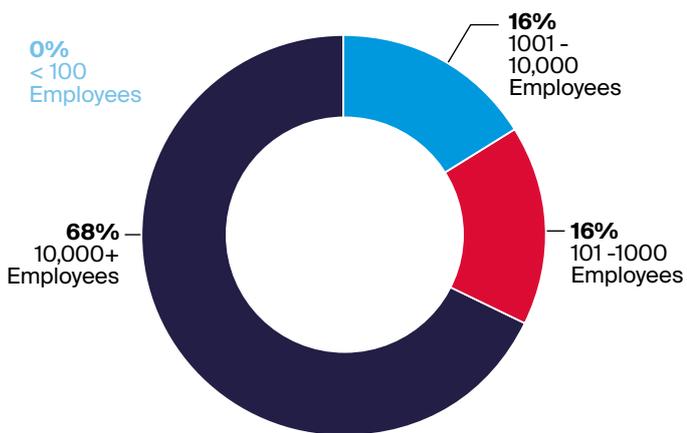
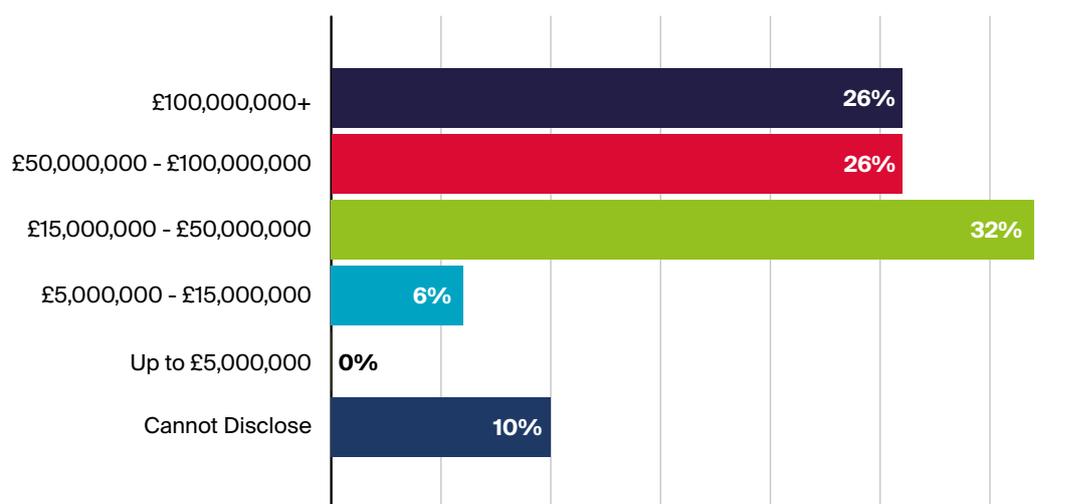


Figure 4: What is the indicative size of your marketing budget?



## 4 What does in-housing look like now?

**This report defines in-housing as ‘any creative, media or technology work conducted within an organisation by dedicated specialists.’ In short, the definition covers all the typical services an organisation might buy from an external agency.**

Initially, the most anticipated forms of in-housing were structures where the client manages and operates an in-house agency or studio end-to-end without the involvement of an external partner. However, it’s now more common to see a model whereby dedicated internal in-house studios and agencies are managed by an external agency, either at the clients’ premises or the agencies’ premises.

In-housing is not a binary choice; several organisations currently use a mixed approach of both in-house and outsourced resources to service the same marketing need in a ‘blended’ strategy.

When asked, ‘*What does in-housing mean to you?*’ many respondents supported the classic definition of ‘internalising’ functions or skills. Still, there was a significant emphasis placed on the importance of ‘specialisms’ / ‘expertise’ (37%), ‘resources’ (21%) and ‘delivery’ (16%).

More than a fifth of respondents said that in-housing and external agency support are not mutually exclusive and there needs to be agency support at some level depending on ‘*your size, sophistication and set up (data and tech)*’.

### **In-housing models & approaches:**

With such a variety of models for in-house operations, it can be challenging for organisations to know the best approach, establish what capabilities they should in-house, and understand what is required to make this a success.

Alchemists’ and CvE’s bespoke In-housing Sophistication Model can help organisations plot where their in-housing operation sits across the broad spectrum of in-house operations. Our model can also help set a future ambition and focus efforts on building just the right-sized in-house studio or agency.

### **What models are brands adopting?**

A large majority of our sample (79%) reported they are currently in-housing in some form, while 11% stated that they are considering doing so (*see Figure 6*).

This means 90% of respondent brands have already begun the in-housing process or are seriously considering it.

In terms of the most popular setups, over two-thirds of our sample defined their operation as a Specialist Studio, with Individual Talent and Small Teams evenly split (*see Figure 7*).

None of our respondents identified themselves as a ‘Strategic Internal Agency’ (the highest level of sophistication on our in-housing model). This was surprising as we would have expected at least a small minority of our respondents to do so due to the average size of our participant brands.

Figure 5: Alchemists' and CVE's In-housing Sophistication Model

LEVEL OF SOPHISTICATION & COMPLEXITY				
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4
	 INDIVIDUAL TALENT	 SMALL TEAMS	 SPECIALIST STUDIO	 STRATEGIC INTERNAL AGENCY
INTERNAL AGENCY PERSPECTIVE	<ul style="list-style-type: none"> <li>Individuals or small groups of 1–5 creators</li> <li>Often focused on particular specialities and more likely in low complexity iterations and adaptation of existing work</li> </ul>	<ul style="list-style-type: none"> <li>Between 5–10 creative specialists with dedicated Operational Leadership</li> <li>Often focused on end-to-end specialist areas/channels with an ability to manage higher complexity of work</li> </ul>	<ul style="list-style-type: none"> <li>Fully functioning creative studio with 10–20 people and some strategic capability</li> <li>Ability to deliver creative and production outputs based on existing brand and communication platforms</li> </ul>	<ul style="list-style-type: none"> <li>Genuine strategic agency with end-to-end responsibility for marketing activities with 20+ FTEs</li> <li>Operational setup often mirrors external agencies, incl. Planning, Creative, Production Traffic and Operational Leadership</li> </ul>
TECH/ MEASUREMENT	<ul style="list-style-type: none"> <li>Externally owned &amp; operated tech</li> <li>Tracking around core channels only</li> </ul>	<ul style="list-style-type: none"> <li>Some ownership of core tech but externally operated</li> <li>Greater measurement capability with external partners</li> </ul>	<ul style="list-style-type: none"> <li>Core tech owned &amp; operated internally and others externally</li> <li>Internal cross channel measurement frameworks with external partners</li> </ul>	<ul style="list-style-type: none"> <li>Fully internal owned &amp; operated tech</li> <li>Sophisticated cross-channel measurement</li> </ul>

Figure 6: Does your company currently have an in-house operation resembling any of the setups shown in the above model?

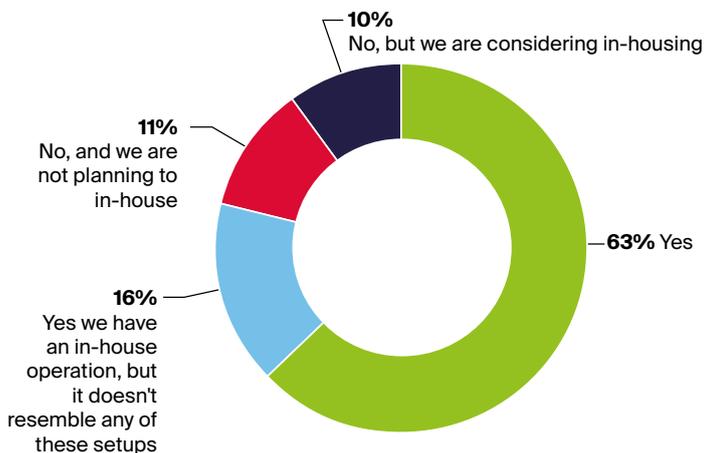
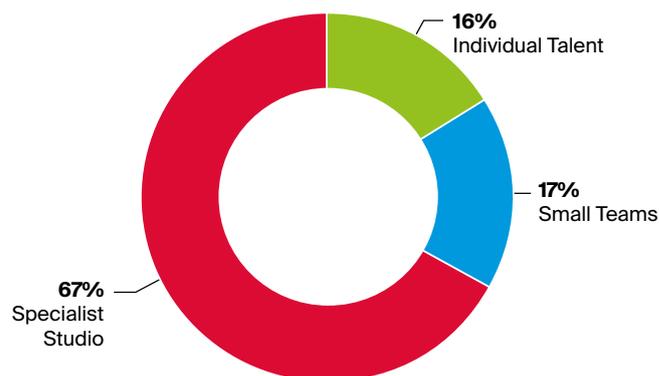


Figure 7: Which of these setups best describes your in-house operation??



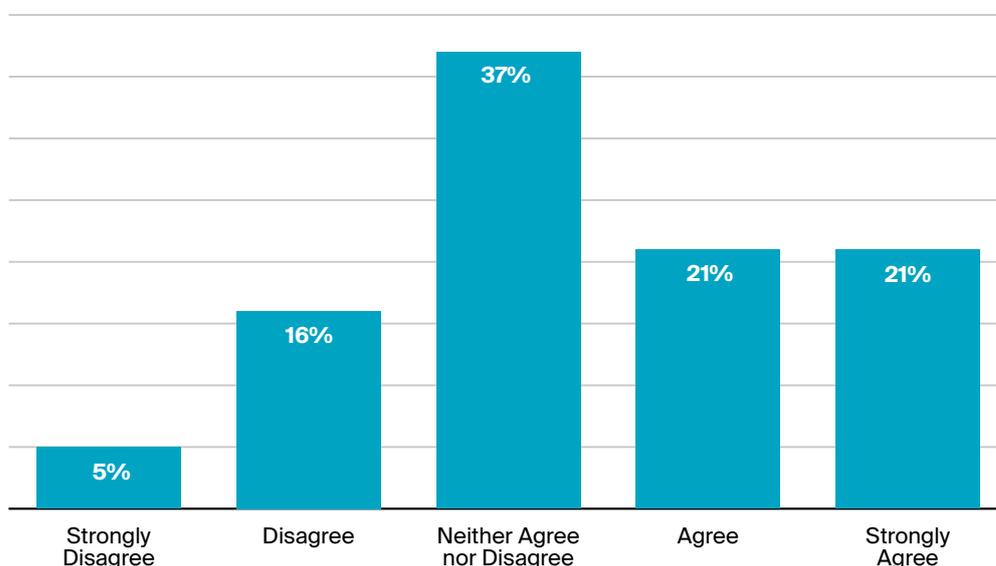
## 5 In-housing viability and capabilities

**In-housing is seen as a viable model for 42% of respondents – twice as many as the percentage who disagree that it is a suitable option for their requirements – but a considerable number sat in the ‘Neither Agree nor Disagree’ segment (see Figure 8).**

This suggests a wide variety of experiences with in-housing, which is intriguing as most of our respondents currently have active in-house operations. If most of those in-housing enjoyed overwhelming benefits from their experience, we would have anticipated a higher affinity towards it.

We can make a qualified assumption that these views arise because many key expectations from in-housing are not fully realised, as we’ll explore in [section 7](#). The result also suggests that in-housing is not regarded as a substitute for external agencies that complement an organisation’s agency ecosystem. This chimes with our own belief that a hybrid model is a proper approach for most brands. The question we often help our clients to answer is how to find the right split between internal and external capabilities – and how best to manage those.

**Figure 8: Do you believe in-housing is a viable alternative to using external agencies?**

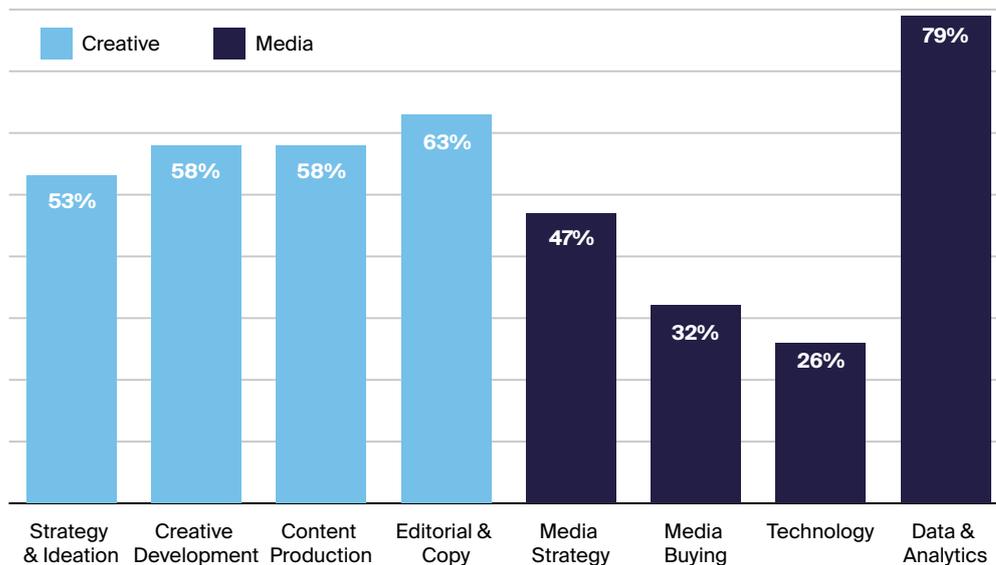


### i) What capabilities are suitable for in-housing?

Although respondents pointed to Data and Analytics as the single most suitable capability to in-house, creative capabilities were seen as more suitable to in-house than their media counterparts. The areas designated ‘Creative’ with the highest potential are ‘Editorial & Copy,’ a little ahead of ‘Creative Development’ and ‘Content Production’ (see Figure 9). Creative functions saw the most consistent scores across the board, with the ‘Media’ capabilities seeming to be much more polarising.

We were slightly surprised by the almost equal scoring for the Creative categories. Our expectations and experience suggest that Production, Content, and Copy are well suited for in-housing, given that the more strategic areas are more difficult to in-house. We often see in-house operations becoming too focused on their own brand(s) and losing some of their ability to innovate creatively. However, the respondents didn't differentiate how they saw the suitability of each area for in-housing.

Figure 9: Which of these areas do you think are most suitable to bring in-house?



**ii) Which capabilities are most likely to grow in future**

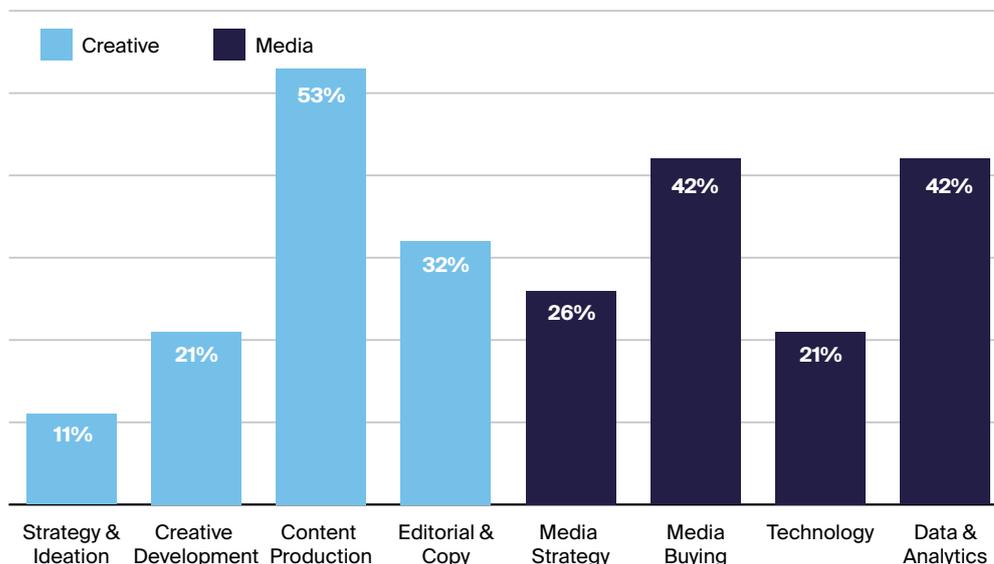
The capabilities identified as needed by brands are not necessarily the same as those most suitable for in-housing. Respondents expect 'Content Production,' 'Media Buying' and 'Data & Analytics' to be the functions that will see the most significant increase in uptake (see Figure 10).

We see two mismatches in the 'Media' category. The first is 'Media Buying,' identified as the least suitable discipline for in-housing yet which is seen as one of the faster growing. We could assume that brands plan or consider bringing more (performance) media buying in-house without necessarily believing it's the right thing to do. External (performance) media agencies must be doing something wrong for this problem to exist.

Potentially more interesting is the 'Data & Analytics' category. Here we see the opposite phenomenon. While it's seen as a perfect fit for in-housing, it's perceived as less likely to grow. We believe this may be caused by the complex capabilities of data management and science, which are not easy to build internally. We will explore this area in more detail in the next section.

We see a similar trend in the ‘Creative Strategy & Ideation’ category. However, the issue is more likely due to the respondents’ lack of trust in their companies’ ability to create a culture of creativity – supporting our earlier observation.

Figure 10: Which areas of marketing do you believe are going to see the biggest increase in in-housing in the future?



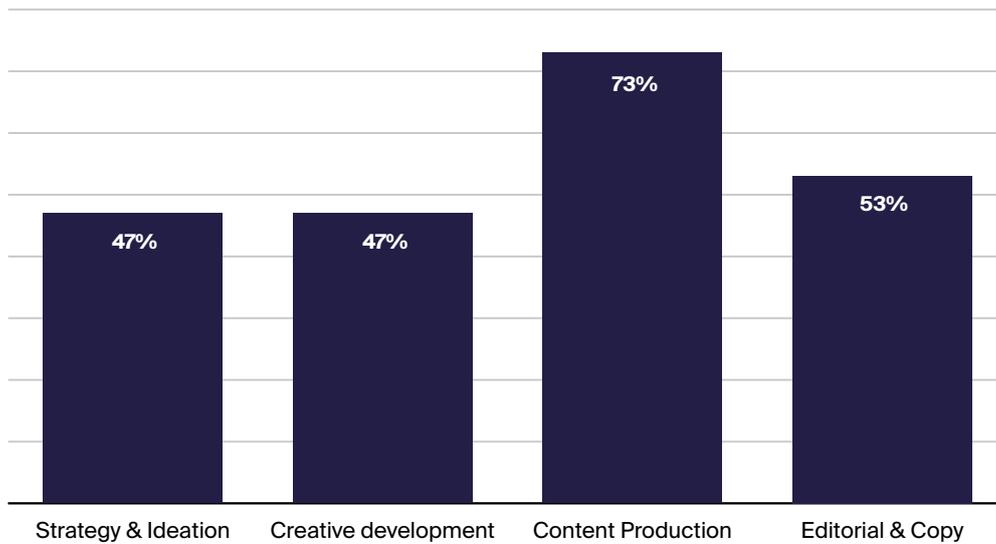
The current reality of in-housed capabilities provides few surprises. Content production is by far the leading capability in which brands have invested (see Figure 10) and is fully aligned with our current view of the marketplace.

Strategy & Ideation has been in-housed by almost half of the brands with existing operations. Yet, none of the respondents identified their existing setup as a “Strategic Internal Agency” (see Figure 7). In our experience, there’s a significant difference in setup and management complexity between simpler and more comprehensive in-house models. However, we have seen strategic capabilities in-housed successfully – for example, Arla’s in-house creative media agency, The Barn. Such success and future performance depend entirely on a well-planned and executed in-house strategy and ongoing management focus. There needs to be total commitment once any brand decides on the in-housing of strategic capabilities.

**iii) Which functions are currently being in-housed?**

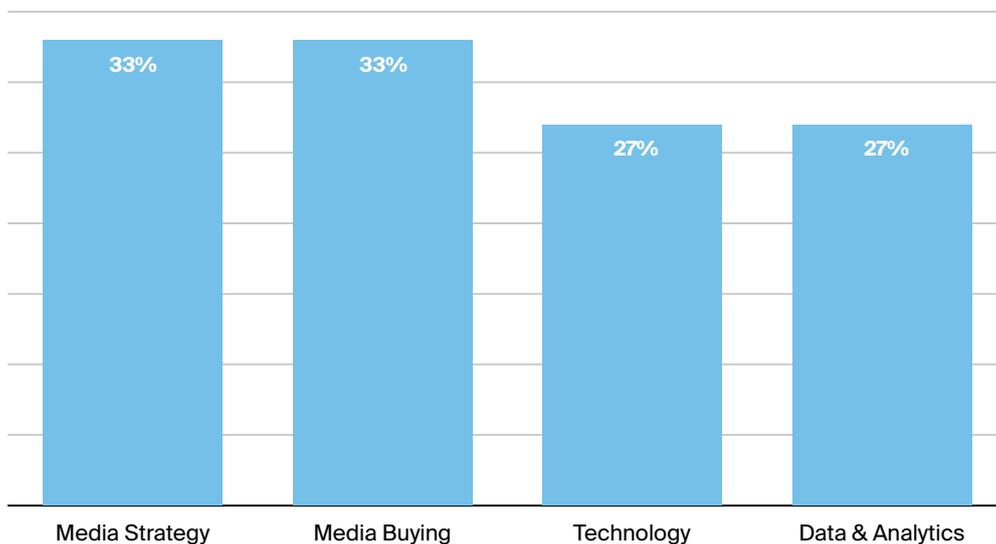
Concerning the previous question on the suitability of different media functions, looking at which media capabilities have been in-housed is illuminating (see Figure 11). Comparing these two points, we see that Media Buying & Technology are proving more straightforward to manage (enjoying similar proportions of suitability and action).

Figure 11: Which of these areas has your company in-housed to date?



Data & Analytics is a specifically challenging category, and distinct reasons could cause this mismatch. We could look at talent/investment gaps and a distinct lack of know-how (how to bring data and analytics in-house, where to start, what skills are required etc.) as some of the key culprits.

Figure 12: Which of these areas has your company in-housed to date?



*Agencies will have to be agile and adapt*

While the research indicates a clear interest from marketers in bringing more functions in-house, we believe the results point more to the evolution of the agency-client relationship than its erosion.

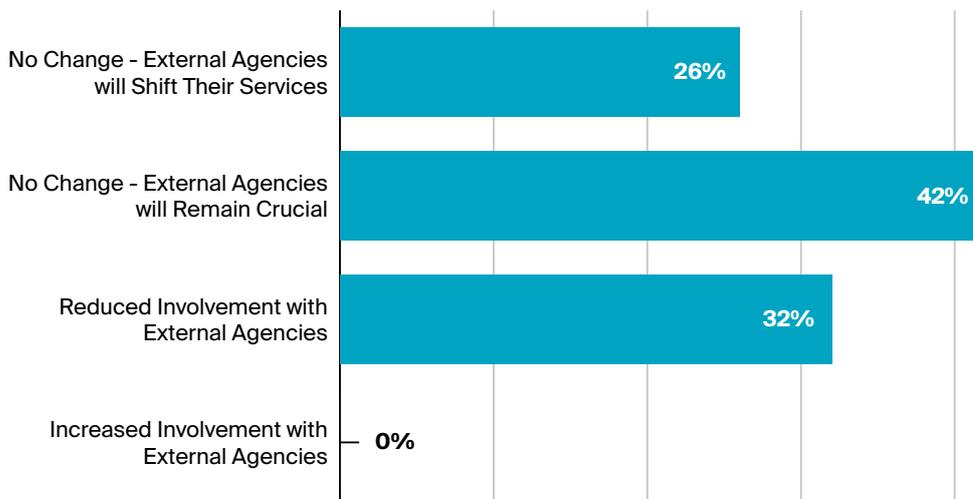
Exploring further, we asked respondents how they feel in-housing will affect advertisers’ involvement with external agencies in the long term. A healthy 42% thought it would “remain crucial”, while more than a quarter stated that they would expect agencies to shift their services to meet changing client needs (see Figure 13).

One of the key drivers of this evolution is a perceived lack of transparency and a lower level of trust between clients and agencies – and frequently a desire from brands to bring back control in-house. But the reality is often much more complicated than expected. We will explore this topic more in-depth in [section 7](#), ‘Expectations vs Reality.’

However, there is no room for complacency among agencies, as respondents, strikingly, showed no interest whatsoever in increased involvement with external agencies, while a third expected to reduce their involvement.

External agencies will need to reflect on the reasons behind these shifts and find a way of adding genuine, long-term value that cannot be replicated in an in-house environment.

**Figure 13: How do you think in-housing will affect brands’ involvement with external agencies in the long-term?**



There will always be a need for external inspiration and innovation that is hard to achieve consistently when internal teams are focused only on one brand. Agencies have broader exposure to a variety of organisations and industries, and constant innovation is a key selling point.

*"I am still a big believer in partners challenging us. I like the term 'right-housing' – it is about finding the balance between tasks we want to do in-house versus what we want to do outside.*

*Working together enables us to bring things to life that wouldn't be possible if the client didn't have an in-house agency.*

*We have a really strong and functional relationship with both the media and the creative agencies we have been working with because they respect the model."*

**Thomas Heilskov**

Senior Director, Global head of digital marketing and The Barn, in-house creative and media agency

## 6 The future of the operational management of in-housed teams

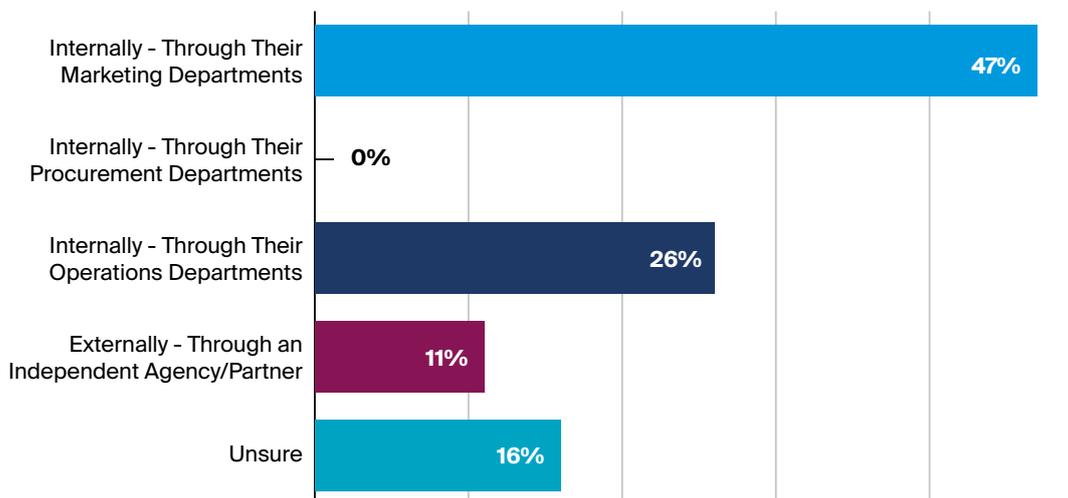
**One of the biggest problems for businesses considering the in-housing of marketing capabilities is managing teams for optimum results.**

Only 10% of brands thought companies should manage their in-house operations externally via an independent agency partner, and none of our respondents with an existing in-house setup currently follows this model.

This finding seems peculiar as many agencies provide in-house solutions for clients. We can only assume that clients would not label these setups as 'in-housing.' Overall, that supports our hypothesis that brands often only think of an agency set up as 'in-housed' if they manage it internally.

Half of our respondents believe that the marketing department should manage in-house operations – and most of those actively in-housing do so. A quarter of the sample feel that the Operations Department is best placed to manage the challenge but only a fifth of those actively in-housing do so (see Figure 14).

Figure 14: How do you think companies will primarily manage their in-house operations in the future?



## SPOTLIGHT

## Building The Barn – Arla’s own creative media agency

*Arla developed an in-house agency that competes with external agencies for company brand projects. Thomas Heilskov, Senior Director, Global Head of The Barn oversaw its creation. Here he explains the thinking behind the decisions and the challenges he faced.*

**The origins:** “When consolidating our MarTech stack to take more ownership of different tools and systems, we gained more visibility and insights across markets on our performance, and we could see that we weren’t getting the efficiencies we were hoping for from that model.

“The aspiration was to build an agency where we had media, creative and data sitting closely together. We wanted to overcome some of the traditional silos and think about building a new agency model that is much more fit for activation and brand building in a digital world – more agile and data-driven with a close connection between Media and Creative. We felt we needed to build this ourselves, which formed the ambition of creating the Barn.”

**The new model:** “We felt that the existing agency model was broken at the time. If you think about how much change digital has brought to how we connect to consumers, it is surprising that the agency models weren’t changing faster. We needed a new operating system for building our Brands, including very different processes that were far more agile and that we were much closer to.

“I didn’t have the confidence that the existing agency model could bring agility and transparency into the model as well as establishing the learning loop between media and creative together that we believe is so important. But we still work with agencies – we need external partners to challenge us, and some of Arla’s brands work more with external agencies than The Barn.

“One of my frustrations at that time was that we were starting all over again too often. We weren’t building on past learnings, so part of the aspiration was to build an agency where continuous learning is at the core of the agency.”

“When establishing the Barn we held an agency pitch simultaneously and we cleaned up our agency roster. This was very important step to ensure we had a clear role-sort from the beginning between all agency partners and manage expectations to the new model

**The challenges:** “We grew from eight full-time employees in 2018 to 120 in 2022. So we have been growing almost exponentially since we started. One of the biggest challenges was recruitment, getting the right talent in and then getting all of the right agency processes in places that are needed.

“One of the things you forget when you start a journey like this is that it is easy to focus on the output, but you need to keep in mind that you are also building a business and becoming an agency owner – you are creating something that competes with other external agencies as well. One of the mistakes we made at the beginning was under-prioritising project management and account management because we were too focused on output.”

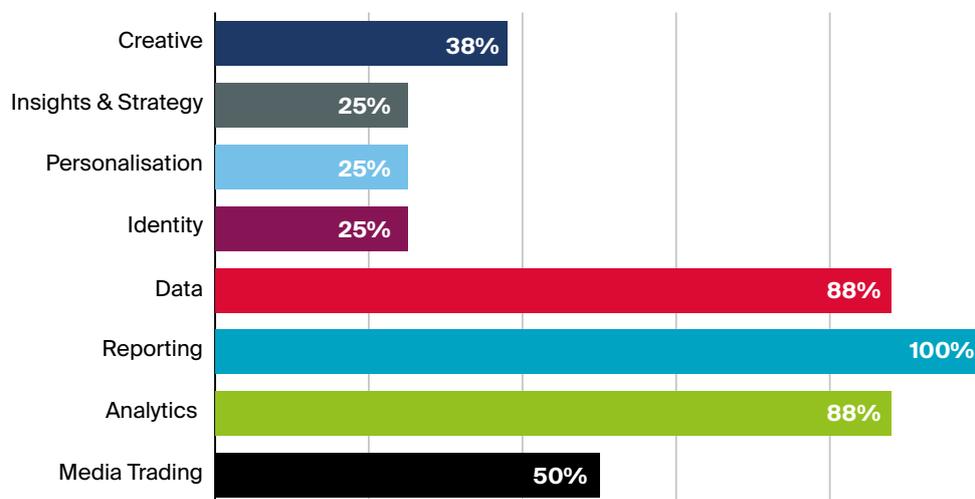
**The result:** “The in-house model and what it has to offer has demonstrated that it is a super strong operating model, and in these difficult times it is more relevant than others.”

### The experience of in-housing technology

With the increasing use of technology to improve customer experience, drive efficiencies and lower costs, it's important to take a close look at the relative capabilities between brands that have in-housed their technology functions. It is impressive to see that around half of marketing departments that have in-housed technology functions actually own and operate most of their tech, and there is investment into proprietary tech, as well.

This is likely to be in areas such as CRM, or custom algorithms in areas of media execution (see Figure 15). The areas these capabilities typically entail were commonly Reporting and Data & Analytics. Insights & Strategy, which are crucial for being in the driving seat of your media investment, lag somewhat behind as brands typically still rely on their agency partners for these functions. One of the more common pictures that we see is a lack of dedicated strategic resources on the brand side, with these typically bringing cost but being difficult to measure in terms of returns.

Figure 15: What areas do your internal technology capabilities cover?

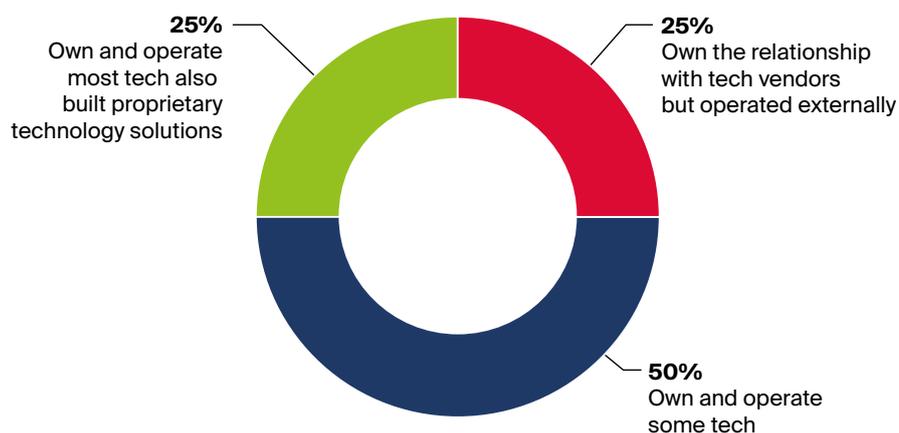


Personalisation and Identity were only covered by a quarter of respondents. Overall, we think this is a disappointing but typical picture of data sophistication. Brands are controlling a greater proportion of their own data, with growing multitudes of opportunities to obtain this data. However, making it accessible and usable is where the greatest challenge lies. This is clearly inferred from the charts showing that a significant 88% of respondents have internal data ownership, whilst only 25% are putting it to use in personalisation strategies. We suggest that 2023 will see a shift in these figures as brands are beginning to understand that merely owning data isn't enough, and without the right skills, data utility is diminished and no advantage is gained.

It follows too that more brands are owning reporting and analytics. Data is often used as a catch-all for any data that exists across a business, whereas in reality there are many categories of data such as media data, or audience data. Whereas there are many intersections, there are also very distinct use cases, such as the difference between audience data for the use of personalisation in marketing, and media data for the use of tracking ROI. We see that the latter type of data – related to media performance, is less complex to manage and is therefore being utilised in areas such as business intelligence.

Finally, it's very telling to make the comparison between the levels of in-housing in areas such as personalisation/identity, and media trading. It is not uncommon for brands to view in-housing with a 'media first' lens, and something that we often discourage, as without a robust tech and data infrastructure in-housing media could inadvertently add cost without necessarily recognising huge benefits. Typically, the media in-housing begins with core elements of media trading, with one or two specific vendor relationships such as Meta or Google. However, without having capability in data, tech, or measurement, it is not difficult to see how media effectiveness and efficiency would not be maximised as it would not be powered either by first party data, or accurate measurement.

Figure 16: What level of technology capability does your company own?



## 7 Mind the gap: expectations vs reality

**Understanding the difference between brands' expectations at the beginning of the in-housing process compared to the reality of the situation can help explain the reasons behind in-housing decisions and whether organisations took the right path.**

We asked all respondents with an existing in-house operation what benefits they expected at the outset of their in-housing journey (see [Figure 15](#)), followed by what they felt they achieved (see [Figure 16](#)). We then asked about anticipated challenges compared to what they discovered.

The findings can help brands create a potential 'watch out' checklist and provide insight into how to develop frameworks for internal motivation and upwards management.

### The drivers for in-housing

In the previous section, we identified indicators of an erosion of trust between clients and agencies. Indeed, if a lack of transparency and trust exists in some relationships it will fuel the desire of clients to take back control, as they feel they can manage an in-house studio or agency themselves without any opaque "black boxes."

More desire for speed, savings, and dedicated personnel speak to this desire to reclaim control over brand identity. The critical expectations of brands from in-housing were Speed/Nimbleness, Cost Efficiencies, Greater Control and Dedicated Staff (see [Figure 20](#)).

Potentially more interesting to examine are the discrepancies between expectations and what benefits those brands that have in-housed realised. In our broad experience, initial benefits and expectations are relatively straightforward to set up and model. Delivering those desired benefits in real-life scenarios is an entirely different manner.

As our survey demonstrates, cost efficiencies are often one of the primary drivers for in-housing. However, it's also the category with the second highest gap between expectation and reality – not even two-thirds of respondents have seen the cost benefits realised. We can speculate that the clients often fail to accurately estimate all the additional costs they need to account for on top of external agency costs.

We sometimes see brands taking a simplistic approach to estimate future benefits. One of the most used methods is a comparison of the FTE costs. Although in-house internal costs can look favourable compared to agency rates, brands often misjudge the time and resources required for the operational management of the in-house agency and the time required for managing more complex requirements and cross-agency collaboration. One-off investments into technology or operational equipment can create a dent in the budget as these costs need to be borne in full by the in-house agency.

We have also seen examples of organisations doing this right, with the right degree of capability to establish an accurate baseline and cost model or stress-testing against the external benchmark, such as the work we carried out with E.ON (explained in detail on [page 30](#)), which tested various scenarios.

Another finding is that Speed and Nimbleness saw the most significant discrepancy between expectations and reality. This finding confirms a phenomenon we have encountered throughout our work on in-housing; most advertisers underestimate the operational challenges of the journey, including the processes required to make an agency work. There's also a clear link between a well-run agency/studio operation and the amount of work and throughput it can deliver – which is a primary driver for efficiencies.

### Operational management should be a priority

We always put creativity and getting the right talent at the top of critical requirements for any in-house operation, as do most brands. However, the less “flashy” areas of operational excellence, commercial management, activity planning and quality assurance are often overlooked – and to a remarkably high degree. In our experience, when we run discovery sessions with our clients, improvements for operational management always come up as one of the critical focus points.

“Being very clear on the different types of models that exist, what you're going for, and the implications coming from that is key.

It's not just about the output, but about the agency processes you need to install, and these processes naturally depend on the type of agency you are trying to build.”

#### Thomas Heilskov

Senior Director, Global head of digital marketing and The Barn, in-house creative and media agency

We also believe this is why many in-house agencies slowly deteriorate over time, as inefficiencies and broken processes can erode positive energy and culture. It's no wonder many brands don't feel they have achieved the greater control expected from in-housing.

Reviewing the areas that deal with talent, we can see that most respondents saw an increase in their own brand knowledge. However, on the other end of the spectrum is the “Less talent turnover” category. We can see that half of the respondents expected to retain more talent, but only about a fifth achieved the goal.

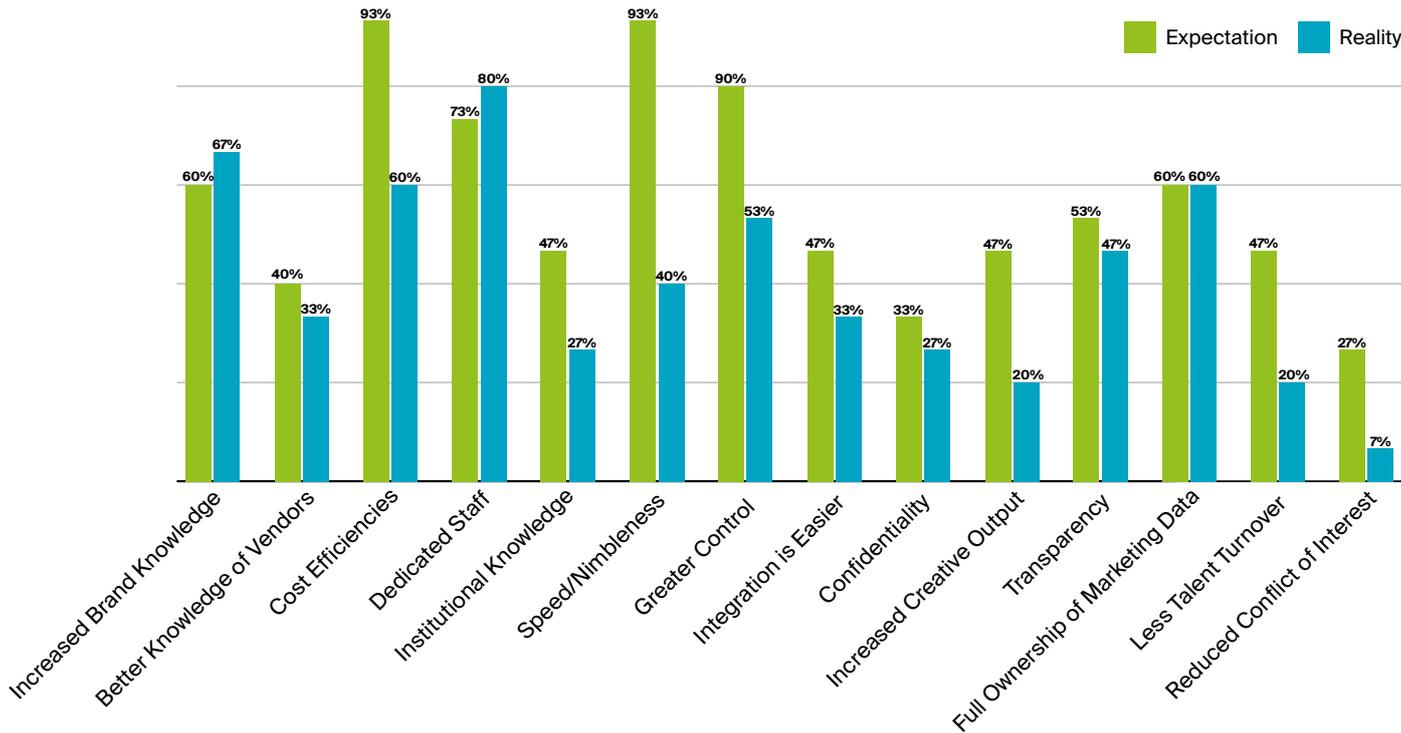
In our experience, there's no single cause for this – a multitude of factors all have a level of influence. It's no surprise to us to learn that if in-house operations face multiple hurdles, it hurts the retention of key talent.

“All the tests and interrogation of the hypothesis we worked through with Alchemists really helped us to fully understand and build the commercial case for in-housing and led us to a happy medium.”

#### Scott Somerville

Head of Brand & Marketing  
E.ON

Figure 17: What benefits did you expect when setting up an in-house operation?



### Underestimating the challenges

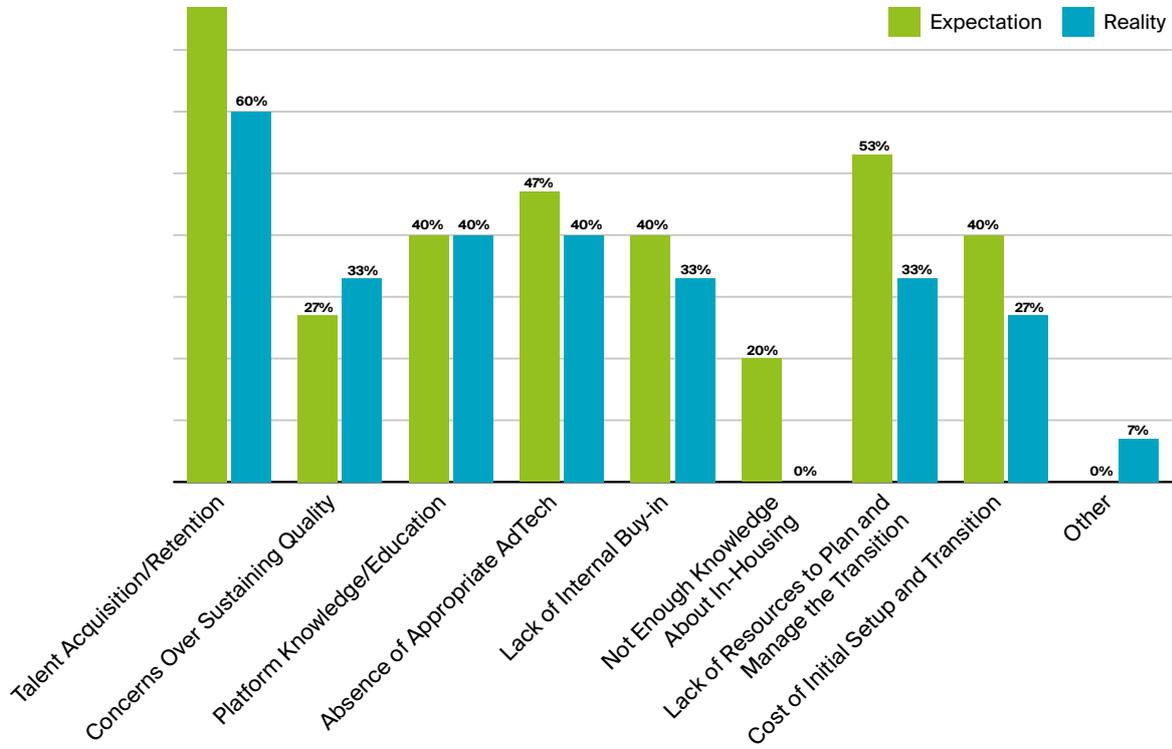
In this section, we focus on analysing the differences between the challenges that advertisers expected and what they saw in real life.

The most surprising finding wasn't related to any specific category or unexpected mismatch. It was that respondents overall didn't expect more issues. We would certainly expect to see a higher percentage across most of the expected challenges.

Outside of talent acquisition and retention, which was (rightly) expected to be a complex area to manage well, there wasn't any other area that most respondents saw as a significant challenge. That's especially intriguing when we look at the vast difference between expectations and reality in the previous section.

The only area slightly more prevalent in reality was "concerns over sustaining quality". We would have expected this area to have an even higher percentage difference. In our experience, running and delivering superior quality output is possible even with operational or structural issues. However, over time, these systemic flaws influence the output and lead to a decline in output quality.

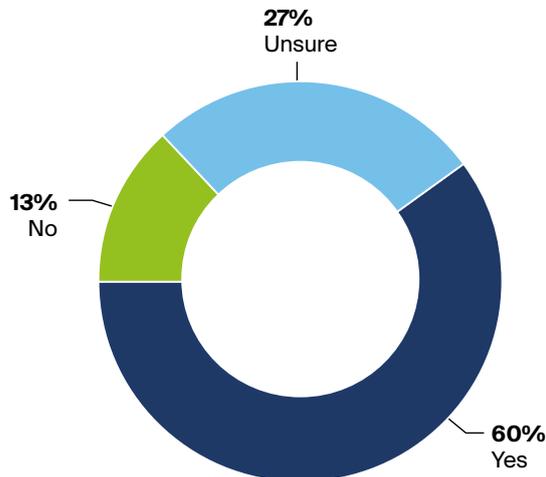
Figure 18: What challenges did you expect when setting up an in-house operation?



Looking ahead, 60% of brands who have in-housed said that they plan to bring more activity into the organisation in the coming year (see Figure 19), with Content Production, Creative Development, Editorial & Copy and Data & Analytics the most likely candidates.

Those that said they do not intend to expand their in-housing operation cited reasons including the 'undesirable fixed cost', the 'difficulty to manage', the 'slowness' and the 'lack of specialist skills and fresh perspective'. All those reasons chime with our experience and the overall results of this survey.

Figure 19: Do you plan to bring more activity in-house in 2022/23?



## 8 Making in-housing a success

### The Alchemist model

The critical factor common to a degree of success with in-housing is a willingness to make bold decisions and be realistic. At Alchemists, we have categorised the in-housing process into three fundamental areas (see *Figure 20*):

1. **People & Structure**
2. **Process & Planning**
3. **Commercial & Measurement.**

Figure 20: Alchemists' critical areas of in-housing success



“I think one of the most important things is to really set the right ambition and understand the type of agency you’re building. There’s a big risk that you can sit between two chairs – if you’re not very clear on what you’re striving for, you’re not really providing the right services in comparison to external agencies, but you are also creating something that is too complicated.”

**Thomas Heilskov**

Senior Director, Global head of digital marketing and The Barn, in-house creative and media agency

It’s essential for anyone considering in-housing to have clarity on how to manage all these critical areas. The depth and complexity of detail need to be correlated to the complexity of an in-house operation. The more ambitious the vision for an in-house operation, the more effort the business needs to be invested into setting up and operating it well.

We have structured these areas logically, but all are equally integral to success. Clients often get one or two of these areas right, but the areas lying outside their immediate vision usually slow things down and negatively influence overall performance.

It’s easy to have a blind spot in one (or more) of these areas. The thorough discovery phase is always critical to uncover the key pain points. The 80/20 rule certainly applies to in-housing projects, and we often find finding those pain points the most challenging.

It’s essential to set a clear plan and focus on driving the changes through the entire in-house setup (and often through internal marketing structure and operating model). The symbiosis between Marketing teams and their in-house agency is critical for overall success.

### Complexity versus satisfaction

We see ‘satisfaction’ as a holistic metric determining whether the current in-house activity is believed successful. One of the critical success metrics we often use is the “take-up” of in-house agency services (as we often collaborate with clients with non-mandated environments). When the in-house agency or studio doesn’t deliver on expected quality levels and commands low satisfaction, we often find that marketers will find another way to fulfil their requirements. Often, they will go back to utilising external agencies, and this dual approach always drives high levels of inefficiency.

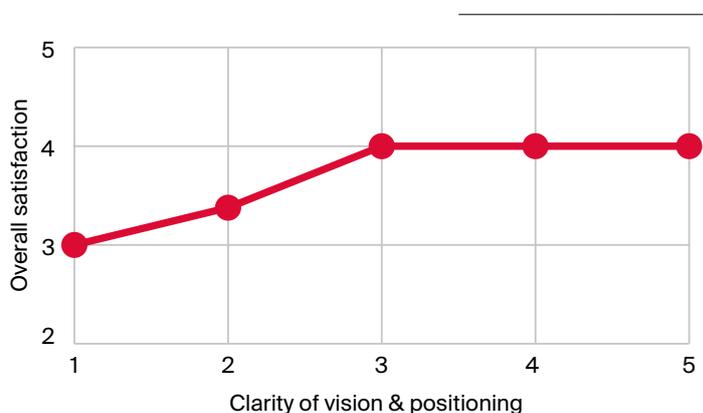
We have identified key variables that correlate with higher/lower satisfaction – namely the level of sophistication of the in-house structure design and the culture in terms of the group’s vision and positioning.

Figure 21: Overall, how satisfied are you with your in-house operation?



Scrutinising the link between the level of sophistication of in-housing operations and satisfaction, we found that respondents with less sophisticated structures (i.e., ‘Small Teams’ and ‘Individual Talent’) generally felt higher satisfaction. As complexity increases, however, satisfaction falls. ‘Specialist Studios’ and other (more complex) levels of sophistication witnessed a drop in satisfaction scores that put them closer to the ‘neither satisfied nor dissatisfied’ threshold (see Figure 22).

Figure 22: Overall satisfaction vs. clarity of vision & positioning



Lower sophistication usually means fewer expectations of an in-house operation and is, therefore, easier to deliver on. Another key driver would be that more complex setups require more careful management to ensure they can meet their company’s expectations.

**Clarity of vision remains key**

One of the more exciting correlations we’ve identified was how the clarity of vision (and its communication internally) aligns with the level of satisfaction.

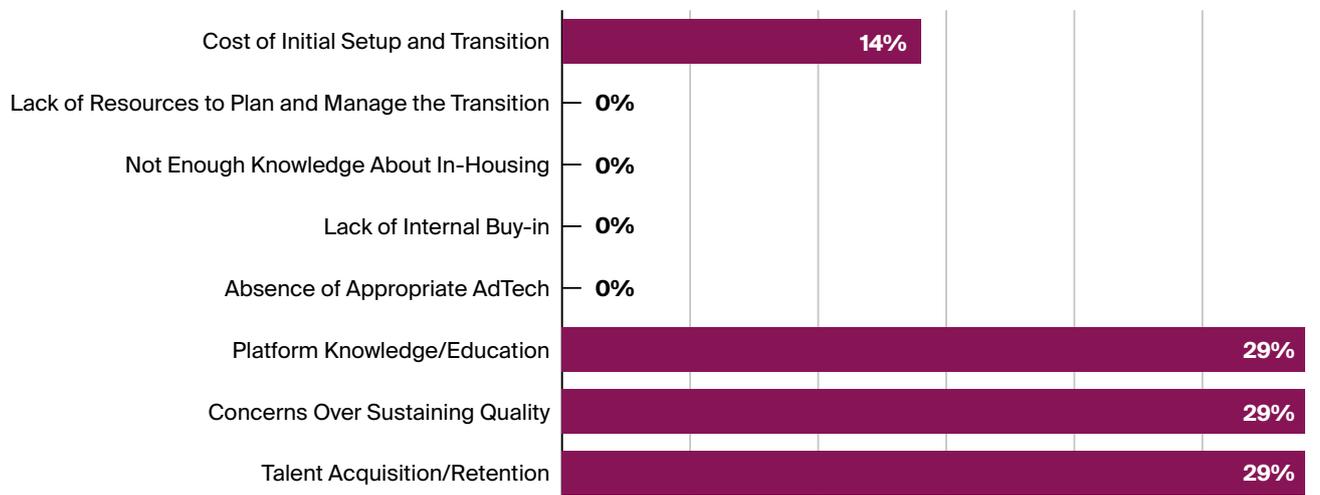
We have been pleased to see that those operations that can articulate their vision also have a higher level of satisfaction. As we have highlighted earlier in this report, getting all the “hard” (process, planning, commercials...) and the “soft” elements (culture, vision...) working in tandem is essential.

As an example, E.ON has sustainability as its core brand purpose and it’s the North Star around which all its operations align; it’s an organising principle to underpin the culture of the organisation.

For the marketing team this presents challenges. As Scott Somerville, Head of Brand & Marketing, says:

“More and more and more consumers are thinking about the environment – there’s been a shift in society to view sustainability as a core value and we must make sure we are not the weak link in the chain at E.ON. We can have sustainable products sold in a sustainable way that’ll help people make more sustainable lives but we also need our marketing to be executed in the most sustainable way possible or customers will call us out.”

Figure 23: Why have you not yet considered in-housing?



This vision also extends to the partner agencies E.ON might work with. Their practices need to reflect E.ON's agenda and ensure there is cultural alignment.

### Barriers to in-housing

When we speak with clients who have considered in-housing, we have identified eight key blockers that often come up at the very top (*see Figure 23*).

We have analysed responses from those brands that stated they do not have an in-house operation and are not considering one soon. This gives us a great insight into what deters these brands from in-housing.

What we found interesting was a relative polarisation of the results, with 'Talent Acquisition & Retention,' 'Platform Knowledge/Education' and 'Concerns Over Sustaining Quality' (*see Figure 22*) being the most chosen reasons. In our experience, they are often why in-house strategies fail.

Talent and quality are essential for any people-based operation, and all brands should be concerned about how they acquire, improve and retain their talent. Agencies have spent decades trying to figure this out, and it's unrealistic to assume that one can replicate this internally overnight. Again, the higher the ambition and sophistication of the in-house operation, the higher the complexity of getting the talent-related areas right.

It's similar to 'Platform Knowledge' and 'Education.' Many brands desire more control over data, as we've seen. However, it is a significant challenge to establish a complete knowledge of modern Martech/Adtech platforms, their providers, and how they all interlink in one of the most complex marketing sub-ecosystems.

One of the significant benefits of doing so is that advertisers can form a clear view, with vested interests removed, on what technology to implement. Otherwise, providers of all sizes may promote a solution well-suited to their service/technology offer.

## CASE STUDY

## E.ON'S in-housing decision process

*We're mindful that some findings and observations might not paint the most positive picture about in-housing. However, in our experience, in-housing can be transformative for any brand. As with any other transformation, we always see a clear delineation between those brands that invest time and effort into scrutinising their decision and those that do not.*

Those brands that can articulate **why** [they should in-house], **how** [to build and operate this in-house operation], and **what** [they need to do to get there] are often much more ready to reap the successes. Not just that, but it's then also much easier to avoid some of the pitfalls mentioned in our report.

E.ON went on such a journey and engaged Alchemists to help with considerations and recommendations. We started our journey to potentially explore building a brand-new in-house agency managed internally by the E.ON marketing team. Working closely with the Marketing Leadership Team, we identified a need for a more agile setup that could help to amplify and expand marketing campaigns and activity across the full range of channels.

After careful deliberation, discovery and commercial modelling, we agreed that the best model for E.ON was to build an in-house studio with the help of an external agency. Our view was that the slightly lower efficiencies when going externally always outweighed the operational complexities.

We clearly articulated our need, identified potential partners and ran a thorough pitch process to identify and appoint such a partner. But it's best to hear this directly from the client:

Scott Somerville, Head of Brand & Marketing E.ON, explains the process he and his team worked through to arrive at a hybrid solution.

"In-housing is something we'd obviously individually and collectively been aware of and looked at from time to time, but it never quite felt right for us. And part of that, to be honest, is that we received great service from the agencies we've worked with over the years.

"But we could never quite shake the feeling that if we did fully in-house, we would lose that variety of thought and that difference. I was worried about losing that external perspective that agencies bring – they absolutely bring energy and knowledge to the table.

"We felt comfortable as well –we had already had model that seemed to be working. One issue we felt with in-housing is a lack of clarity on budgeting and the investment versus the output. For example, you might have a budget line of £100K for a specific service you bring on a full-time member of staff for £60K to manage this and it looks like an instant saving –but what's the output? How can we capitalise on that?

"But we'd been through a few changes at E.ON including the takeover of npower and the time felt right get a view on what in-housing could mean for us and to get away from the thinking that there was a binary decision here to be made between working with external agencies or in housing. What would a solution look like and how would you get to the right answer?

*Continues overleaf* ►

## CASE STUDY

◀ *Continued*

“The work that we did over a prolonged period explored the possibility of a solution whereby you can preserve fresh perspectives but then get the undoubted benefits of in housing, of proximity, of deeper understanding, of maintaining pace so that you don’t lose prioritisation.

“So, via extensive due diligence and a discovery process involving collaborating closely with Alchemists, we concluded that pure in-housing managed by ourselves would not be the best option. But we could streamline our agency model and explore the option of building in-house capability managed by an external agency. Alchemists ran a pitch process that was completed at the end of last year, and we have appointed Oliver as the agency to build a creative production in-house solution for E.ON.”

## 9 Conclusion

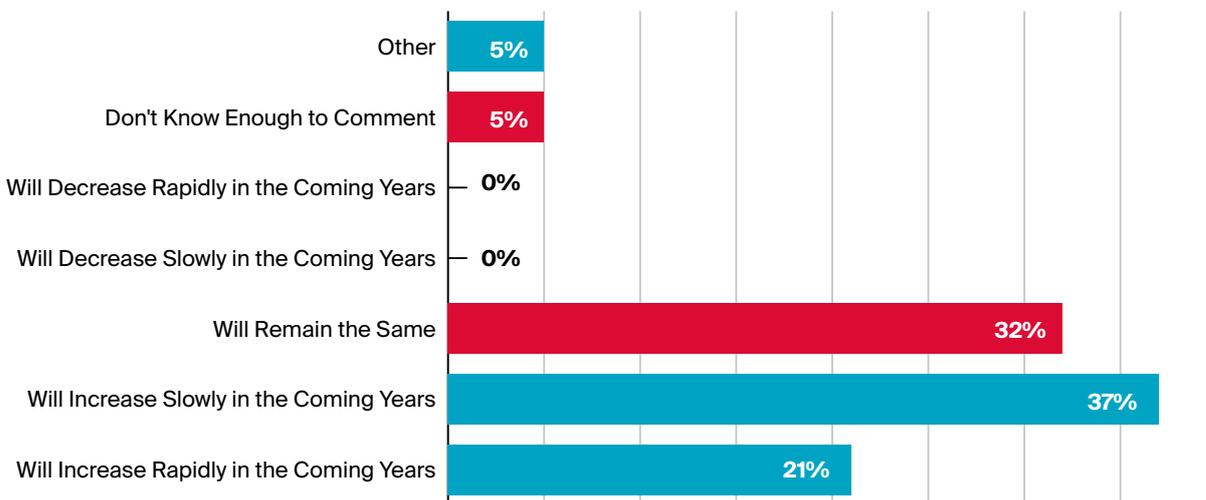
**We have seen many examples of brands undertaking a successful in-housing journey and creating unique and effective in-house agencies. But there are also, unfortunately, many examples of those who jumped on the bandwagon and just hoped it would work.**

One of the critical points about in-housing is that it's not a one-off project. Preparing for and launching an in-house operation is the beginning of a long journey. It's essential to set the right foundations and continuously build on them, improve, and get better. And also communicate your progress and successes internally.

One of the last questions in our survey focused on understanding the sentiment towards the future of in-housing. Despite the challenges raised throughout the report, the results were upbeat, and the trend towards in-housing will not reverse (see Figure 24). More than a fifth of brands feel that the trend will increase rapidly, while 37% say it will continue to be taken up at a slower pace.

A third of the sample feel that the number of organisations in-housing will remain the same. The market anticipates a stabilisation in the rate of in-housing in the longer term.

Figure 24: What is your view on the in-housing trend?



We want to close this report by restating that ‘fully internally managed’ in-housing isn’t for everyone. But, when done right, an in-house agency can work in almost any sector and capability area, removing the need to depend on a third party. The potential benefits are massive, but so is the effort needed to launch and manage any in-house setup successfully.

There are other options and solutions for developing an in-house operation that any brand can consider. Many external agencies are adapting, and where a decade ago, you could count in-housing specialists on one hand, today, the offering is much broader, especially in the UK, which has one of the most vibrant agency scenes.

We hope this report helps brands better understand this complex topic by illuminating current sentiments and detonating some of the mysteries and myths that have grown up around in-housing.

### About Alchemists

Alchemists is an independent advisory partner and consultancy that helps brands to deliver better creative and commercial outcomes from their marketing teams and agency partners. As part of our offering, we help to design, build or optimise modern agency ecosystems and in-house operations.

For further details, contact Vlad Komanicky ([vlad@alchemists.co.uk](mailto:vlad@alchemists.co.uk))

### About CvE

CvE is a marketing growth consultancy with the breadth and depth of experience to advise senior marketers and the first-hand expertise to deliver. We enable marketing departments to be more effective, agile, and capable of realising higher growth. By understanding the biggest challenges and opportunities of marketers and CMOs, we take companies on a journey to solving them and unlocking growth.

For further details contact Paul Frampton ([pframpton@controlvexposed.com](mailto:pframpton@controlvexposed.com))

### About ISBA

ISBA is the only body that represents brand owners advertising in the UK. We empower them to understand the industry and shape its future because we bring together a powerful community of marketers with common interests; lead decision-making with knowledge and insight; and give a single voice to advocacy for the improvement of the industry.

For further details contact Nick Louisson ([nickl@isba.org.uk](mailto:nickl@isba.org.uk))