

OPINION >

Taking your marketing in-house? It is time to improve productivity

By [Darren Woolley](#) - 29 October 2019 03:02am

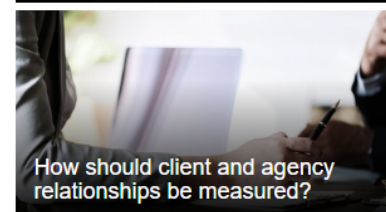
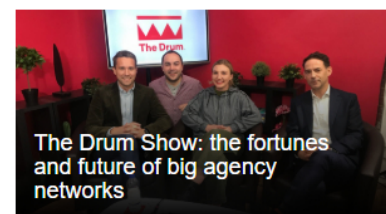


Agencies rightly argue that their productivity is significantly reduced by the inefficiency of their clients.

Bringing agency services in-house is all the rage according to the ANA, reporting more than three-quarters of their members had done so. The latest Gartner Budget Report indicates it is continuing with increased investment. While the practitioners of in-housing declare the benefits, including lower costs, I am increasingly concerned that the value of in-housing appears to be measured by the same methodology as external agencies.

Almost no advertising agency measures its productivity. Instead of measuring the quality and quantity of the outputs produced against the resources and the cost of those resources, agencies are inclined to simply measure the cost of the resources to ensure they are able to recover those costs in their agency fees.

Related



This cost-based or cost recovery model is prevalent throughout agencies. Direct salary and overheads are calculated against billings and the surplus or deficit becomes the margin. It makes sense for agencies to be primarily concerned with cost recovery as people's costs are their largest expense and profitability depends on recovering those costs in surplus.

But it appears **in-housing** has gone the same direction. Recent projects have highlighted that most in-house operation is using the same cost approach to financial management. In doing so the architects of in-housing are missing out on the single biggest financial benefit, which is improving productivity.

While it makes sense for agencies not to be concerned with measuring and improving their productivity after all the business model is based on cost recovery so inefficiency leads to extra hours, which leads to extra billings and fees. Agencies rightly argue that their productivity is significantly reduced by the inefficiency of their clients. From our analysis, client inefficiency primarily comes from the complexity of their structures, processes, and requirements.

But taking those agency functions in-house, removing the performance barrier between marketing and the agency, is the ideal time and circumstance to improve productivity. This can be achieved by streamlining structures and processes between the marketing team and developing resource requirements against the specific requirements of the marketing plan.

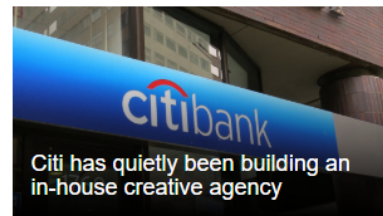
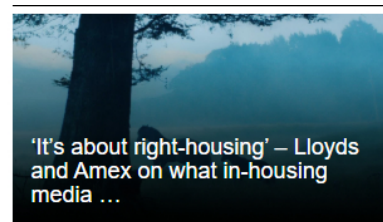
The way to be able to measure the impact of this optimisation is to move from the traditional cost measure used to a productivity measure. Measuring not just the cost of those resources, but the number and type of resources and most importantly what they produce. This provides insights into the efficiency of the in-house team and not just the cost.

For both in-house media and in-house creative agency, we have identified huge in-efficiencies in resourcing that would go largely overlooked. In one case, an in-house digital media team was operating with more than 400% of the resources that would be typically required in an external agency based on the work delivered. This had occurred in less than 12 months as the original in-house team rapidly expanded while the work delivered did not. The size of the team had cemented the 'importance' of the digital media within marketing.

Likewise, an in-house creative team was operating at a resource level of more than 40% higher than the external equivalent for the scope of work delivered. The primary driver, in this case, was the diversity of functions, which were over resourced and largely underutilised much of the time due to the ebbs and flows of the scope of work through the in-house agency during the year.

On a salary cost basis, neither of these examples appeared to be inefficient. In the case of the in-house digital media, the cost comparisons used was the effective media commission paid previously. In the case of the in-house creative agency, the in-house cost lacked consideration of the overhead and profit of an external agency.

Over the past two decades, we have proven cost is no measure of value when it comes to assessing the performance of advertising and media agency services. But measuring what is delivered against these costs of resources, or better known as productivity, is an incredibly effective way to measure and improve the value associated with taking and maintaining



Open Mic

Add your own content to Open Mic



The Big Issue and Monzo create 'world's first resellable...'



S4M granted continuation of its MRC accreditation



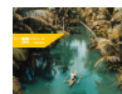
What motivates charitable giving?



YouGov's Ad of the Month UK - Sainsbury's

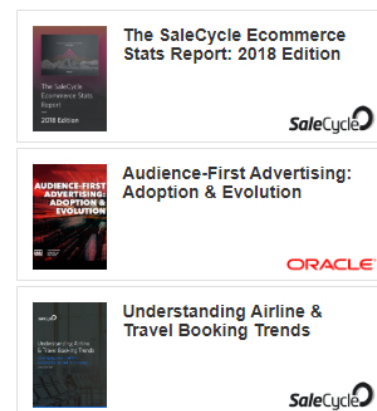


John Lewis tops chart for employee pride



The Top Travel Creators on Instagram

Recommended Reports



...and improve the cost-benefit of maintaining agency services in-house.

On almost all of the in-house agencies we have been asked to assess, it appears that while most in-house agencies have like-for-like lower costs than their external counterparts, almost all have not improved their productivity, and in fact are often less productive than their external equivalents.

The risk for marketers is that poor productivity in-house can completely wipe out any real cost-benefit for the organisation.

Darren Woolley is founder and global chief executive of TrinityP3.

This article is about: [Australia](#), [In-house](#), [Digital](#), [Digital Advertising](#), [Marketing](#), [Advertising](#), [Marketing Services](#), [Agency](#)



Share to Twitter



Share to LinkedIn



Share to Facebook



Join us, it's free.

Become a member to get access to:

- Exclusive Content
- Daily and specialised newsletters
- Research and analysis

Register

From our Network



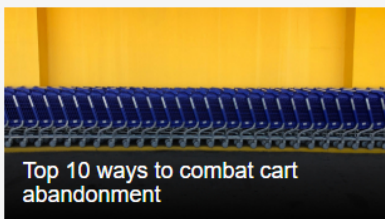
Ditch the spreadsheet and use a CRM: a guide to the top three CRM syst...



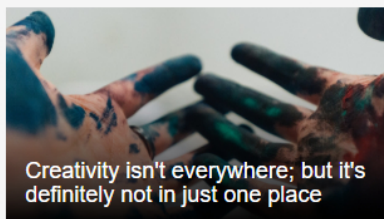
HarrimanSteel owners on retaining independence, remaining adaptable an...



Are the big six ad agencies heading for extinction?



Top 10 ways to combat cart abandonment



Creativity isn't everywhere; but it's definitely not in just one place



Free whitepaper from Adobe: Digital advertising turns 25 - Happy Birth...

The Drum articles suggested by **bibbli.io**

Helping publishers increase engagement, improve monetization and drive new audiences. [Read more](#)

MUST WATCH

More

[On The Scene](#)

[Talking Heads](#)

[Drum Documentaries](#)

[Everything You Need To Know](#)

[Future Stars Of Digital](#)

[Brand Love](#)





Video

Is AI revolutionizing marketing as we know it? Or is it still only a buzzword?



Video

Taking advantage of the mobile gaming powerhouse

The Drum Ink

Get empowered.

Hit the C-suite spot. 75% of The Drum Magazine readership are senior management or above.

Benefit from our monthly exclusive magazine content in multi-format.

Subscribe today and be educated, entertained and empowered.

[Subscribe now >](#)



Marketing can change the world



Europe Americas Asia-Pacific

[News](#) [Creative Works](#) [Awards](#) [Live Events](#) [Drum Network](#) [Research](#) [Studios](#) [Jobs](#) [The Drum Recommends](#)

[About](#) [Advertise](#) [Calendar](#) [Contact](#) [Privacy](#) [Terms & Conditions](#)

© Carnyx Group Ltd 2020 | The Drum is a Registered Trademark and property of Carnyx Group Limited. All rights reserved.