



Marketing Futures

INNOVATE. ACCELERATE. GROW.

The Future of Agencies

Blurred Lines and
Reimagined Relationships



2021 Edition



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“The trend I see is that the lines are blurring between who is inside and who is outside, and whether you need a full agency or a freelancer with a network. It’s truly case-by-case and specific to each team. You have to understand the needs of your organization, the resources available, and figure out what combination makes the most sense.”

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ANA Marketing Futures focuses on the innovations and trends that will shape the future of marketing to prepare brands for the challenges and opportunities that lie ahead.

Innovate.
Accelerate.
Grow.



Advertising, PR, creative, digital, and full-service agencies have played a crucial role in the marketer's toolkit for decades. But the landscape is changing. More than ever, overlap exists between agencies and consultancies, in-house and external agencies, and the roles of humans and automation. We gathered perspectives from marketers and subject matter experts to understand how marketers view the future of agency and how its trajectory impacts marketing decision making.

Getting Started with the Future of Agencies



What is the Future of Agencies?

The future of agency is one of hybridization and human-machine collaboration. Thanks in large part to the ever-advancing capabilities of data collection and analytics, powered by artificial intelligence and automation, the agency-of-record model of the past is becoming outdated. The future is one of reimagined relationships between marketers, in-house creative, external agencies, consultants, and technology.

Getting Started with the Future of Agencies


Why Should Marketers Care?

As the department that works closely with agencies, the future of agency directly impacts marketing. Marketers who wish to maintain relevance and thrive competitively must understand agency trends.

How Can It Help Your Business?

Understanding the evolving landscape of agencies equips your company to most effectively use marketing dollars and, ultimately, yields a bigger ROI. As marketers choose how to allocate their limited budgets, understanding the limits of old agency models and the possibilities of reexamined agency relationships allows marketers to do their job most effectively and therefore boost revenue.





**Seventy-two percent of
in-house creative teams
handle three-quarters
of the organization's
creative work.**

—
*In-House Creative Management Report 2020,
InSource and InMotionNow*

In-House vs. External Agencies



The decision can be less than straightforward for marketers choosing between in-house and external agencies.

Rather than viewing the decision as a choice between A and B, decision-makers can benefit from keeping in mind the possibilities for combinations and partnerships between in-house creative, external creative agencies, and freelancers. For example, external agencies can be helpful when a company needs to temporarily increase its capacity for short-term campaigns or a fresh perspective distinct from that of brand veterans. Not surprisingly, over half of medium-sized companies (100-999 employees) outsource at least some marketing tasks.

In-House vs. External Agencies

Below are a few factors to keep in mind when considering how to balance in-house and external creative.

In-House Creative

Possesses extensive brand and institutional knowledge, product familiarity, and insider perspective; in-house teams “know how things work around here”

Tends to have a broad skillset but not necessarily specific expertise, depending on the experience of staff

Can become entrenched in “how we always do things” and consciously or unconsciously shy away from new ideas

Offers simpler integration with company-wide operations

Usually costs less than an external agency

Keeps competitive knowledge inside the company

Requires handling recruiting, hiring, training, and managing all team members and is, therefore, a more costly (in time and resources) option in terms of start-up

May have limited resources

Goals aligned with company’s goals

External Creative

Lacks brand knowledge and familiarity

Can have niche expertise in specific areas (specialization); for example, certain methods, utilizing specific channels, launching a specific type of campaign, or reaching a certain audience

Can inject new energy, fresh thinking, and expertise gained from working on often hundreds of accounts

Can be disconnected from the overall company


Usually more expensive than in-house

May present an opportunity for competitive knowledge to leak outside the company

The client doesn’t have to worry about recruiting, hiring, or training, allowing external agencies to quickly implement projects


Often has access to tools, resources, software, and expertise that small in-house teams can’t access or afford

May have ulterior motives that supersede a brand’s goal, like testing out a new tactic or vying for an award



According to a study commissioned by Bannerflow in partnership with Digiday, **91 percent of brands** have moved at least a part of their digital marketing operations in-house.

AI and Automation's Role in the Future of Agencies



On the surface, the future of agencies in the age of automation may look grim. Holding companies seem to be struggling; four of the big six groups—WPP, Publicis Groupe, Dentsu, and Havas—reported declining organic revenue in 2019.

AI and Automation's Role in the Future of Agencies

Forbes reports that in the last four years, \$25 billion disappeared from the market cap of five of the big six advertising companies—WPP, Omnicom, Publicis Groupe, Interpublic, and Dentsu. Though it is wise not to mistake correlation for causation, Campaign reports: “It is striking that the decline in the fortunes of some of the global agency groups followed the 2016 investigation by the Association of National Advertisers into ‘non-transparent’ practices by US media agencies.” Furthermore, agencies primarily offering media buying services are destined to decline as that function becomes easier to automate.

But advances in artificial intelligence (AI) and automation hardly spell the end of the agency.

Jay Pattisall, Principal Analyst at Forrester acknowledges that yes, agency employee headcount will shrink. Pattisall and associate J. P. Gownder, VP and Principal Analyst at Forrester, **model an 11 percent drop in the total number of employees at large creative agencies by 2023, with the production segment taking the largest hit.**

But these reductions in staffing numbers don't mean agencies can't thrive in the age of automation. Instead, Pattisall calls for “smaller, yet smarter” agencies that combine human creativity with machine accuracy as employees are no longer inhibited by mundane tasks. Pattisall sees the successful agency embracing what he calls “intelligent creativity,” which he defines as “a process of creative problem solving in which teams of creators and strategists concept, design, produce, and activate business solutions with the assistance of AI, intelligent automation, and data.”



Jay Pattisall

Principal Analyst, and J.P. Gownder, VP,
Principal Analyst at Forrester

“Businesses today must create a human plus machine creative team that combines human artistry with machine accuracy, connects precision with persuasion, matches messages with media, and weds marketing with innovation. It’s time for CMOs and agencies to move beyond an intuition-laden method of creating, producing, and activating marketing and embrace a more scientific, accurate, and scalable one. Creativity—the act of applying novel solutions to elicit a human response—hasn’t changed. But the way that companies apply creativity must.”



CASESTUDY

Coldwell Banker's The Studio

Until recently, Coldwell Banker, the U.S.'s largest residential real estate brokerage, had an inefficient, disconnected marketing organization.

Its marketing team worked out of seven regional service centers that did not collaborate or standardize, leading to duplication of work, with teams designing the same types of collateral but in very different ways. In 2017, the brokerage firm consolidated its marketing departments into one unit and distributed work to allow staff to specialize, create efficiencies, and support agents. By late 2018, the reorganization was complete, but few outside of the company's leadership were aware of it. Coldwell Banker looked to create an in-house agency that could support more than 45,000 agents and communicate exactly what the agency does and who benefits from its services.

Case Study: Coldwell Banker's The Studio

To meet these goals, Coldwell Banker created **The Studio**, its in-house creative agency, and executed a launch to bring awareness to this new venture.

The launch needed to communicate the deep expertise housed within The Studio, with many team members having more than twenty years of experience and a deep understanding of the real estate industry.

The launch of The Studio included a press release on PR Newswire, media pitches to real estate trade publications, and internal messages to agents and employees from Ryan Gorman, president, and CEO at Coldwell Banker. The campaign also included the roll-out of a branded website (thestudiorealestate.com) to explain The Studio to existing agents, prospective recruits, and potential job candidates. The company also created the "Studio blog," written by staff members working throughout the company.

After the launch of The Studio, the company started receiving business inquiries from agents and Coldwell Banker franchises. The initiative reached nearly 66 million people, with 37 articles running in Inman News, RealTrends, and Adweek. Media coverage spurred 3,000 website views.

IMAGE: Adweek



THE
STUDIO
ROCKS



Andy Brenits

President, Board of Directors at InSource

“We’re finally breaking with the old ways of thinking the work needs to be done by either the in-house team or an outside agency. Instead, we’re seeing the rise of genuinely great partnerships and collaboration between the two.”

The Rise of Consultancies As Agencies



If you're a marketer considering using a consultancy for some of what used to be agency work, you're not alone. According to a Digiday poll, 22 percent of client-side marketers plan to shift work from agencies to consulting firms.

The Rise of Consultancies As Agencies

Perhaps no example better exemplifies the growing turf war between agencies and consultancies than Accenture Interactive, the consultancy's new ad agency arm. The so-called "experience agency" lists Marriott, Radisson, Wendy's fast-food chain, and Kimberly-Clark's baby and childcare products among its marketing clients. According to *Financial Times*, Brian Whipple, chief executive of Accenture Interactive, says its purpose is to take Accenture's consulting credibility with chief executives "and port that over to the significant spending of the chief marketing officer."

Indeed, the perception is common among marketers that consultancies may see their department as a revenue mine regardless of whether or not they have valuable insights to offer. This leering often stems from the sway consultancies hold with the C-suite. In boardrooms, a consultancy can convince executives of the benefits of expanding their influence across the organization, and these executives then give consultants power to influence marketing decisions that they may or may not be best equipped to make.

A marketing executive who spoke to Digiday on the condition of anonymity explained the situation this way:



"There's a certain arrogance that goes with the consulting firms that have the ear of the C-suite because they know as a senior marketer you sit outside of that...Even though they're not experts when it comes to media and advertising, they're able to get away with it because of the position they have."

Another issue that can make marketers hesitant to trust consultancies is possible conflicts of interest. Consultancies typically have access to a wide variety of analytical data and perform audits, which can be problematic when the consultancy, performing the agency role, also gets to buy media.

The Rise of Consultancies As Agencies

Despite a hesitancy on the part of some marketers to increase their use of consultancies, they continue to expand into agency territory because of the benefits they offer. Consultancies bring a “big-picture” perspective and strategic guidance to an organization, a perennial weakness of agencies.

The difference between a positive and negative experience with consultancies taking over agency work hinges on the consultancy not just identifying problems, but also offering and executing meaningful solutions. Historically, consultancies have excelled at big-picture audits, identifying pain points and inefficiencies across the organization, while agencies have excelled at executing solutions in the marketing and creative realms. As access to granular data and accompanying analytics becomes widespread, agencies can more easily add strategic capabilities to their offerings, increasing the consultancy/agency overlap. And for the marketing department shifting to sourcing creative from an in-house agency, it can be helpful to have consultants along for their outside perspective and industry knowledge.





Tom Manning

Global Head Of Consultancy at ForwardPMX

“If agencies’ main activity is no longer to just buy media, then their focus must be on strategic guidance based on their wealth of collective experience and broad perspective spanning industries, markets and platforms—part of what has always made agencies more valuable than any in-house or consultative alternative.”

Agency Compensation Trends



Recent research by the ANA on agency compensation reveals one undeniable trend: it's complicated. With ever-increasing access to data and analytics that can quantify performance, it's sensible to assume that performance-based agency compensation would be on the rise.

Agency Compensation Trends

Yet the impact of shifting to performance-based pay may not be as significant as anticipated. While 47 percent of ANA members recently surveyed who use performance incentives for media agency services reported improved agency performance, an equal number reported no change in performance, or in a small handful of cases, poorer performance. These mixed results are showing up in Asian Pacific and European markets too, as the World Federation of Advertisers' recent Global Agency Remuneration report explains:

“Whilst labor-based activities account for the highest percentage of remuneration arrangements, we are seeing an upturn in payment by results (PBR)-related activities —though the light on the horizon is often dimmed by the haze of how these are constructed with many being far from beneficial, and thus motivational, to agencies.”




Barriers to Incentive-Based Agency Pay

The ANA identified common barriers that prevent more widespread use of incentive-based pay in its 2019 Media Agency Compensation Report:

- It is difficult to isolate and attribute media agency performance versus the many other internal and external factors that affect sales and brand performance.
- Cost budgeting and governance practices do not allow some marketers to easily set aside money for variable agency compensation if the incentives are achieved.
- It can be difficult to establish and align the right performance metrics and targets with the agency.

Landing on the best balance of fee- and performance-based compensation is a nuanced process, and the “right” balance changes over time and varies between agencies. Critically, performance-based incentives don’t work when a client asks an agency to discount its pricing and then makes the agency fight to get it back via incentive compensation. To avoid resentment on the part of the agency, incentives need to be above and beyond compensation already provided in pre-existing agency relationships.



Less than 5 percent of marketers surveyed in the ANA's recent study on agency compensation reported using some "other" method of compensation that is not fee or commission based. Exclusively payment-by-results compensation plans are still uncommon.

The Rise of **In-Housing**



In-house agencies are on the rise. According to the ANA's research, 78 percent of ANA members had an in-house agency in 2018, compared to 58 percent in 2013 and 42 percent in 2008.

These in-house agencies go by many names: creative services department, creative team, creative studio, and proprietary branded names. With the growth of in-housing already underway, the economic hardships of 2020 have created an environment in which in-house agencies are becoming even more relevant. This change in the agency landscape directly impacts marketers. According to Cella's most recent "In-House Creative Industry Report," more than 70 percent of creative services departments report to marketing or hybrid marketing organizations.

The Rise of In-Housing

Marketers have increasingly relied on their in-house agencies to weather the impact of the pandemic. As companies have reacted to the events of 2020, they've restricted marketing budgets while simultaneously sending more work to their in-house creative agencies. In-house creatives are brand experts with superior organizational knowledge. Brendon Derr, VP of Strategic Solutions at Cella, explained the unique position in-house agencies occupy during the current economic circumstances:



Brendon Derr

VP of Strategic Solutions at Cella

“When you combine the institutional knowledge, brand knowledge, and relational value that exist between an in-house team and internal marketers and communications that must move quickly, there is nothing that compares to an in-house team that has been living and breathing that brand. An in-house agency can also make mechanical stuff such as financials and contracting happen. When an emergency hits, these groups are positioned to respond.”

The Rise of In-Housing

Another reason for the increased workload at in-house agencies? Brands are adjusting their messaging in response to the pandemic, which has reached nearly every corner of marketing, from website banners reassuring customers of COVID-19 protocols to crafting messaging around longer shipping times. The result? In-house agencies must do more with fewer resources if they want to excel.

In a recent conversation with the ANA, Maureen Boyle, Senior Director of Creative Services and Events at Nordstrom Trunk Club, shared her insight on doing more with less:



Maureen Boyle

Senior Director of Creative Services and Events at Nordstrom Trunk Club

“There are changes we have all had to make to still support the business. It’s definitely not fun, but as we started unpacking what we needed to deliver on and how to do that, we found that we actually have a lot more than we thought we did. Being able to be creative and resourceful has helped us get through that. From attending lots of meetings and interacting with other in-house agency leaders, resources have always been at the top of the list of challenges. This has taught me and my in-house agency to do more with less and still have it look great—meet the objectives, perform well, etc.”

The Rise of In-Housing

Though in-housing creative is on the rise and the economic environment of the pandemic has made in-house agencies even more relevant, agencies must prepare for increased competition post-pandemic. As Cella's recent in-house agency report remarked, "Many creative groups stand on the value proposition of being lower cost... and while that will open doors, it won't keep them open." **To remain a marketing department's go-to creative agency, in-house agencies must position themselves as strategic partners able to offer big-picture insights, not just lower prices.**



How to Organize and Manage an **Effective In-House Agency**



A marketer charged with managing an in-house agency or starting one from scratch has many balls to juggle. In today's world of blended roles and abundant data, an agency manager must think beyond simply churning out content.

Define success metrics for your team.

Of the more than 600 creatives and marketers surveyed in a recent report by InSource and InMotionNow, 43 percent said that business impact is not clearly defined for the creative team. Or, when metrics are defined, they measure something other than the stated goal of creative.

As **Adam Morgan, Executive Creative Director at Adobe** explains, “So we say the most important thing is quality creative, but then we measure on speed and efficiency.”

A high-performing creative agency requires clearly defined goals and assessment metrics. While a creative department’s business impact has traditionally been difficult to measure, advances in data analytics make quantifying impact possible. Consider metrics related to brand recognition, engagement, and lead generation.



Be a strategic contributor.

The agencies losing ground to consultancies are those that remain stuck in non-strategic mindsets, serving a now-automatable function, like ad buying.

Adam Morgan of Adobe explains, “Creative teams need to learn to ‘speak khaki’ so they can have meaningful conversations with business leaders. You have to earn your seat at the strategic table by speaking the right language, demonstrating an understanding of how you add value, and showing that you have a vision.”

The effective, competitive modern agency is no longer simply a content mill or media buying entity; it must take the perspective of a valuable decision-maker with insight into the overall direction of the brand.



Train your team to take on an expanded role.

Two-thirds of respondents in the InSource/InMotionNow study report being asked to take on new responsibilities beyond traditional creative tasks. These tasks include driving company culture, project management, marketing strategy, analytics, customer experience, and strategic initiatives.

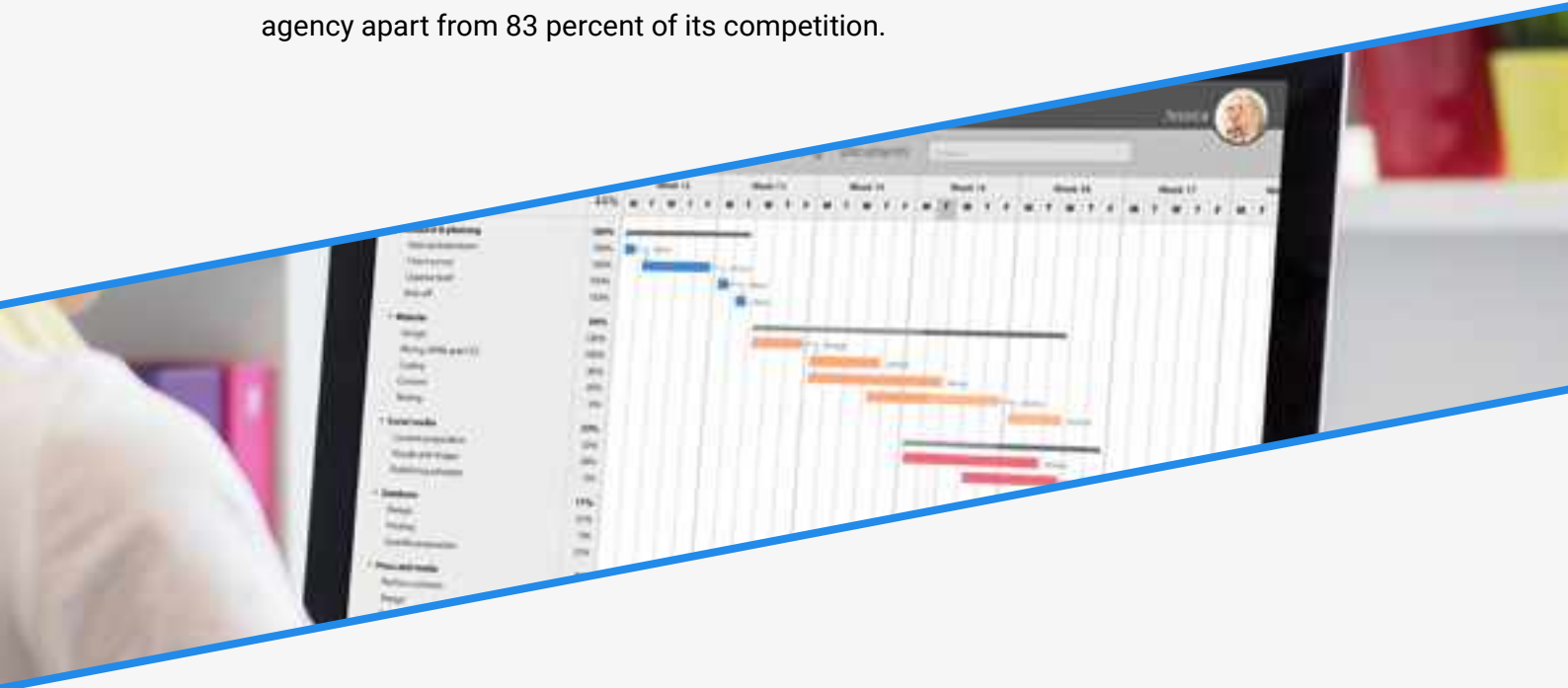
But 70 percent of creative department managers still lack enough (or any) time for team coaching and development, [according to Cella's research](#).

The ability to execute expanded roles is critical for an agency transitioning to a strategic partner, but without effective training, in-house agencies can easily be ill-equipped for these roles. Building an effective in-house agency requires dedicating the time and resources necessary to train the team for these expanded roles.



Provide meaningful feedback.

Only 17 percent of respondents to InSource/InMotionNow's survey report "almost always" or "often" getting feedback from marketing teams. Providing meaningful feedback means not simply defining success metrics but having follow-up conversations with the creative team and troubleshooting until the team hits its goals. These feedback conversations fall into the "easier-said-than-done" category, but it's clear that implementing a culture of meaningful feedback can set a creative agency apart from 83 percent of its competition.



Experts across multiple industries had one thing to say about getting the most from your in-house agency: *partnerships*. A consistent trend is the increasing overlap between once-distinct models: consultancies, in-house, external agency, freelancers—there are many options for the marketer trying to get the brand message across, and the most effective option is often a combination.



Ben Hartmere

CEO at inMotionNow

“The theme for in-house creative teams in 2020 is ‘partnership.’ Partnership with the business, partnership with agency talent, and partnership with clients. In-house teams planning for this year and beyond should be consistently asking themselves, ‘how can we be better partners?’”

While the decision-making process for marketers is perhaps more nuanced than ever before when it comes to agency services, more options than ever exist for finding solutions that precisely fit an organization's needs.

Finding the right solution to execute marketing strategy requires more up-front work—structuring the ideal agency remuneration contract, assessing capabilities of in-house teams, identifying niche areas where external agencies add value—but the performance possibilities justify this up-front effort. The future of agency is blended, fluid solutions.





Sam Harrison

Speaker and author of *Creative Zing! Spark Your Creativity & Powerfully Present Your Ideas*

“Agencies and freelancers can augment and enhance the initiatives of in-house creative teams. For best results, the tenets of collaboration apply. Potent partnerships happen when everyone puts egos aside and sees the chance to create something great and learn something new. And match-ups are important—ideal collaboration occurs where the other person or team is doing something you can’t do (or maybe don’t want to do) as well.”

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Marketing Futures

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Our Story

Knowing that marketers are increasingly challenged in their efforts to keep up with the latest trends and technologies, the ANA tasked itself with creating a program designed to help marketers anticipate—and prepare for—the future of marketing.

ANA Marketing Futures is what emerged. With a focus on innovative topics and emerging trends, ANA Marketing Futures provides resources that will influence and inform via member cases, research studies, and insight from industry innovators. Check back often to learn about emerging trends and become inspired to take steps toward the growth of your business.

ABOUT THE ANA

The ANA (Association of National Advertisers) makes a difference for individuals, brands, and the industry by driving growth, advancing the interests of marketers, and promoting and protecting the well-being of the marketing community. Founded in 1910, the ANA provides leadership that advances marketing excellence and shapes the future of the industry. The ANA's membership includes more than 1,100 companies with 15,000 brands that collectively spend or support more than \$400 billion in marketing and advertising annually. The membership is comprised of more than 750 client-side marketers and 350 associate members, which include leading agencies, law firms, suppliers, consultants, and vendors. Further enriching the ecosystem is the work of the nonprofit ANA Educational Foundation (AEF), which has the mission of enhancing the understanding of advertising and marketing within the academic and marketing communities.



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