



Solving the Build-or-Buy Equation in Marketing

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Should you continue to outsource your marketing capabilities or bring them in-house? As leading organizations have discovered, it doesn't have to be either/or.

Consumer expectations are rapidly changing—and many marketing organizations are not prepared.

For decades, marketers handled branding and budgeting decisions themselves and handed off most of the execution activities to third-party agencies. That approach worked

because execution involved only a few large campaigns a year, on select channels intended for a mass audience.

But in today's high-speed digital environment, execution is exponentially more complex. Modern marketers must be adept at harnessing an abundance of data, channels, content, and technology to engage individual customers at each step of the customer journey. And they must do all of this while dealing with increasingly stringent data regulations, continually evolving technologies, growing talent challenges, and spiraling outsourcing costs.

To address these challenges, leading organizations are rethinking which **marketing capabilities** should continue to be outsourced and which should be brought in-house. They are making these decisions with three criteria in mind (see Exhibit 1):

Exhibit 1 - Three Criteria for 'Build or Buy' Decisions



Source: BCG analysis.

- **Speed and Agility.** How much will moving the capability in-house improve the organization's ability to execute quickly and maintain scale?
- **Access to Talent.** Does the organization have the internal talent it needs to achieve a level of consistency in execution that outsourcing talent can't provide?

- **Overall Cost Savings.** What is the savings opportunity of bringing the activities in-house? Will in-house capabilities boost marketing performance while reducing cost?

There is no one-size-fits-all solution, of course. But the right approach can help organizations see significant improvements in campaign execution time, customer engagement, and cost savings—all of which are critical for boosting marketing performance.

Five Capabilities to Consider—and Why

As the marketing landscape grows more complex, the disadvantages of relying on agencies are becoming more evident. Organizations that have remained dependent on outsourcing move at a slower pace, unable to react quickly to new trends and customer needs. They lack full access to their data (including customer data and media-performance data) and must contend with all sorts of privacy concerns while dealing with talent issues and high agency costs.

For these reasons, **CMOs** need to decide if now is the time to shift certain capabilities away from agencies. But which ones? In our client work, we've found that five marketing capabilities are commonly brought in-house:

- **Data Ownership and Strategy.** Moving data ownership in-house—including how that data is sourced, acquired, governed, and deployed—expedites the activation of first-party data, which is crucial for understanding and targeting customers. It's also easier to prevent and manage the risks associated with data.
- **Media Planning and Execution.** When media planning and execution are in-house, there is closer collaboration across strategy, media planning, and execution—and greater transparency over the entire buying process, including the monitoring and optimization of that media's performance.
- **Content Creation and Optimization.** Internal creative teams have a deeper understanding of the company's brands, which ensures consistent messaging to target customers. Moving content creation in-house also allows closer collaboration

with strategy and media teams, accelerating the creative development process and speed to market.

- **Measurement.** The development and execution of a robust measurement program, from defining the methodology and KPIs to extracting insights from measurement results, is essential—and an internal measurement team can enhance the transparency of measurement results, which is critical for ensuring good budget allocation decisions.
- **Marketing Technology.** Every part of today’s marketing process is facilitated by a marketing technology stack; having those tools in-house helps companies cut costs and manage data more efficiently. In addition, it allows marketers to select a tech stack that can be adapted to their changing needs instead of using whatever an agency might provide.

It’s up to the organization to determine which of these capabilities to bring in-house, and in what sequence. Marketers may find that that they want to use a hybrid approach, moving some parts of a capability in-house and leaving others in the hands of the agency.

Two Companies, Two Strategies

The decisions made by a big-box retailer and a small luxury apparel company illustrate different approaches to bringing marketing capabilities in-house. (See Exhibit 2.)

Exhibit 2 - How Two Companies Brought Their Marketing In-House



Source: BCG analysis.

The Big-Box Retailer. The marketing organization of a big-box retailer was grappling with excessively long lead times for launching media campaigns. It was taking over 20 weeks to launch a single campaign because of a lengthy creative process, which involved multiple internal teams and their agencies. In addition, the organization wanted to improve media performance by tailoring campaigns more to specific audiences.

The organization's first decision was to move some of the teams responsible for creative strategy and content development in-house. (Media execution was already in-house.) This move would make it easier to align the different creative and media teams and ultimately reduce time to market for media campaigns. In addition, the marketing function decided to acquire all first-party data and technology stacks, which would make it possible to derive the insights needed to improve customer engagement and optimize media performance in real time.

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The marketing organization has reduced end-to-end campaign execution time by 60%.

The organization is also planning to build its own measurement system to ensure it has the insights needed to improve media performance. Initially, an agency will provide support; the organization will eventually move these capabilities to an internal team.

To date, the marketing organization has reduced end-to-end campaign execution time by 60% and improved marketing performance by at least 10% in initial pilots.

The Luxury Apparel Company. A small luxury apparel company with multiple independent brands was experiencing suboptimal media performance. The brands lacked sufficient talent for media planning and execution. Moreover, first-party data ownership and strategy were in the hands of various agencies, so the brands did not have the customer insights critical for conducting strong marketing campaigns. And since each brand got external support for media execution and technology, those costs were very high.

To address these issues, the corporate marketing function created a hybrid model for media planning and execution, creative strategy and content development, data strategy, and technology—all while reducing costs.

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The hybrid approach has reduced agency costs by more than 20%.

First, all media planning and execution would be moved in-house and combined into a central team to guarantee sufficient resources were available to improve overall media performance. Externally held data and technology stacks would also be brought in-house. This move would facilitate first-party data access and sharing among the different brands, which would in turn deepen customer insights and improve campaign performance.

The brands, which already had internal creative teams in place, brought in some agency talent. They would continue leveraging their agencies for measurement support until it was possible to hire sufficient analytics talent.

This approach has allowed the marketing organization to reduce agency costs by more than 20%. A year after making these changes, the company boasts higher profits and projects revenue growth of 10% over the long term.

As these examples demonstrate, building in-house marketing capabilities is no easy task. There are a host of challenges to address, from acquiring the right people, to keeping up with constantly evolving technologies, to losing data from transferring technology licenses from an agency, to cost uncertainties.

That's why organizations that are most successful at bringing capabilities in-house make the transition gradually. They start with the capabilities that are easiest to address to create significant value up front, and they move the rest in-house incrementally. They also hire agency talent and ensure lower rates than external agencies to encourage internal demand. And they also keep up with emerging technology trends and choose the tech providers best able to meet their business requirements.

As marketing capabilities become more critical to competitive advantage, the question of which ones to bring in-house—and when to do it—will become increasingly urgent. Organizations that don't confront these decisions now could soon be left behind.

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