

# Why Businesses Are Leaving Traditional Design Agencies

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## Executive Summary

Over the past decade, a complex confluence of economic pressures, technological breakthroughs, and shifting corporate strategies has driven many organizations to rethink their reliance on traditional external design agencies. This comprehensive report examines **why businesses are moving away from traditional design agencies in 2026**, drawing on the latest industry data, surveys of decision-makers, and expert analyses. Key findings include:

- **Economic pressures and cost concerns:** In a tightening economy, marketing and creative budgets have shrunk, forcing companies to seek greater cost efficiency. For example, Gartner reports that marketing budgets fell by roughly 15% from 2023 to 2024 (Source: [www.creativereview.co.uk](http://www.creativereview.co.uk)). A recent survey found 83% of brands cited *cost efficiency* as a primary reason for building internal capabilities (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)). Traditional agencies, often billing on time-and-materials models, now face resistance as clients compare these fees unfavorably to alternatives (freelancers, in-house teams, or AI-driven tools).
- **Rise of in-house and hybrid models:** In response, many firms are “in-housing” creative functions. Industry surveys show [in-house creative agencies](http://www.designweek.co.uk) growing in staff and ambition (52% increased headcount in 2025 (Source: [www.designweek.co.uk](http://www.designweek.co.uk)), and a record **40% of companies** reported plans to switch their primary agency in the next six months (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)). The in-house trend is driven by desires for greater control, faster turnaround, and deeper brand familiarity with their teams (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)) (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)). Indeed, clients report corporate creative teams now often act as full “lead agencies” instead of just production shops (Source: [www.designweek.co.uk](http://www.designweek.co.uk)).
- **Proliferation of freelancers and specialist platforms:** Large enterprises are increasingly assembling work by [hiring freelancers](http://www.adweek.com) and specialist contractors, rather than retaining monolithic agencies. One study finds Fortune 500 marketing teams composed of **30–70% freelancers** (Source: [www.adweek.com](http://www.adweek.com)). Experts note a shift toward “assembling modular specialist teams” of contractors to handle projects, arguing that traditional agency models cannot simultaneously provide speed, efficiency and high output (Source: [www.adweek.com](http://www.adweek.com)). Freelance marketplaces (Upwork, Fiverr) and niche creative platforms have made accessing talent easier and often cheaper than agencies.

- **Technological disruption – AI and tools:** Advances in artificial intelligence and design software have transformed how creative work is done. Businesses widely adopt AI for design tasks, with 88% using [AI design tools](#) (Source: [clutch.co](#)), enabling even non-specialists to generate layouts, images, and copy quickly. This change is reducing demand for agency-led production work. Still, survey data show only 18% say AI has *cut* their need for human designers (Source: [clutch.co](#)) – meaning AI primarily [automates simple tasks](#), while companies seek agencies/in-house teams for strategy, creativity and oversight. Nonetheless, agencies are under pressure to justify their time-based fees when clients can pilot design workflows with AI or outsource to cheaper alternatives.
- **Creative leadership concerns:** Many in-house creative leaders express frustration with agencies. A recent survey of corporate creative heads found that *only 13%* of firms relying on external agencies reported those relationships “going well” (Source: [markets.financialcontent.com](#)). Common complaints include slow turnarounds, quality issues, and misalignment with business goals. As one Superside report notes, “creative leaders want to create bolder work, but are hindered by time constraints and mundane tasks” – and agencies often haven’t provided the needed speed or flexibility (Source: [markets.financialcontent.com](#)). This disillusionment is a powerful force pushing companies to seek alternatives.
- **Agency industry at a crossroads:** The agency business model itself is under scrutiny. Recent financial surveys show design agencies’ revenues have only modestly recovered after the pandemic, while profits and margins remain flat (Source: [www.designweek.co.uk](#)). Employment costs now consume roughly two-thirds of agency fees (Source: [www.designweek.co.uk](#)), squeezing operations. Forecasts by Forrester predict a “15% reduction in agency jobs” by 2026 (Source: [www.thedrum.com](#)). Agencies are being forced to “resign their agency” and reinvent themselves – moving to [productized services](#), technology partnerships, and outcome-based pricing as traditional retainer models erode (Source: [www.thedrum.com](#)) (Source: [www.thedrum.com](#)).
- **Future implications and adaptation:** Looking ahead, the rise of agile marketing and digital platforms will only accelerate these trends. Agencies that survive will likely evolve into more specialized roles: acting as platform vendors, technology merchants, or strategic partners rather than generalist creative shops (Source: [www.thedrum.com](#)). Companies will continue to weigh the trade-offs of in-sourcing vs. outsourcing. Ultimately, the shift reflects a broader story: design and creative work remains crucial, but businesses are demanding faster, more integrated, and more transparent solutions than many traditional agencies have provided. This report provides in-depth analysis of these forces – with data, expert commentary, case studies, and actionable insights for all stakeholders in the design ecosystem.

## Introduction and Background

### The Traditional Design Agency Model

For most of the 20th century, businesses relied on **design and advertising agencies** as their primary external creative partners. From the Mad Men era to the rise of boutique branding firms, agencies offered a “one-stop shop” for [brand identity](#), marketing campaigns, product design, and more. These firms typically operate on [time-and-materials or retainer models](#): clients pay by the hour or project scope, and agencies assemble teams of designers, strategists, and digital specialists to deliver creative work.

This model was stable for decades. Advertising and design agencies had relationships with clients built on creative provenances; they invested in talent, technology, and know-how in exchange for relatively steady fees. Even with the advent of the internet, “digital agencies” and web design boutiques emerged, but the core dynamic remained: **outsourcing creativity** for expertise and capacity.

However, the digital age also introduced blade-edge competition and new tools. As companies became more tech-savvy, the line between in-house capability and agency dependency blurred. Agile marketing, data-driven strategies, and rapid iteration cycles meant some businesses began to question whether traditional agencies could keep pace. The **dissatisfaction** has grown visible in the last few years: brands are reassessing their creative partnerships under pressure to do more with less.

### Scope of This Report

This report examines multiple facets of the emerging trend whereby businesses—across industries and geographies—are moving away from **traditional design agency** arrangements. We consider macroeconomic factors (budget cuts, market consolidation), technological factors (AI, design platforms), organizational strategies (insourcing, agile), and human factors (creative leadership burnout, freelancer networks). We leverage industry surveys, financial data, and expert commentary to analyze why this shift is occurring now, how it’s being manifested in practice, and what it means for the future of the creative industry.

Throughout, we use **inline citations** to source data and expert opinions. All claims are backed by published research, news reports, and surveys from reputable organizations (e.g., Gartner, Forrester, WFA, Clutch, Creative Review, etc.) (Source: [www.creativereview.co.uk](http://www.creativereview.co.uk)) (Source: [www.thedrum.com](http://www.thedrum.com)) (Source: [clutch.co](http://clutch.co)). We also include tables and case examples to illustrate key contrasts (for example, comparing in-house vs agency models, or summarizing survey findings). By the end, the reader will have a 360° understanding of this pivotal moment in marketing and design: why the traditional agency approach is under threat, how organizations are responding, and what future models are emerging.

## 1. The Design Industry Landscape: Historical Context

### 1.1 Evolution of Design and Advertising Agencies

Design and advertising agencies trace their roots to the early 20th century, when publishers and new media sought creative specialists for logos, posters, and campaigns. Over time, agencies grew into large firms handling not just graphic design but entire brand identities and multimedia campaigns. The mid-to-late 20th century saw the golden age of advertising agencies (think Madison Avenue) and the founding of legendary design firms like Pentagram, Landor, and IDEO.

Agencies traditionally sold *creative expertise*. Clients paid for *the skill and creative vision* those firms promised. In practice, many agencies adopted a billing model based on labor: quoting projects by estimated hours or on retainer for a block of creative time. This time-based model became normalized, even if it sometimes misaligned incentives (as a 2024 analysis from the Australian Design Business Council warns) (Source: [designbusinesscouncil.com](http://designbusinesscouncil.com)). That analysis notes that as clients embraced designs created in less time (e.g. via AI), agencies must abandon purely hourly pricing or risk collapse (Source: [designbusinesscouncil.com](http://designbusinesscouncil.com)).

### 1.2 Mid-2000s to 2020s: Digital Disruption and Fragmentation

With the rise of the internet in the late 1990s and 2000s, new "digital agencies" emerged to build websites, apps, and online marketing. Over time, the marketing function became more fragmented, with separate agencies specializing in digital marketing, social media, branding, PR, media buying, UX/UI, and so on. This specialization often led to **agencies working in silos**, where a given brand might have one agency for its ad campaigns, another for web design, another for SEO, etc.

However, by the mid-2010s, companies and consultants began questioning whether the *fragmented, specialist-agency model* could still deliver the holistic, fast-moving work modern brands needed. As Castle observes, splitting every discipline into its own firm made sense when marketing was simpler—but "if the fragmentation model breaks down in 2026" for such reasons as speed and integration (Source: [castle.co.uk](http://castle.co.uk)), the viability of traditional agencies is threatened (The Drum analysis by Forrester echoes similar concerns (Source: [www.thedrum.com](http://www.thedrum.com)).

The late 2010s and early 2020s also saw a push toward **in-housing**. Forward-thinking brands started creating internal creative teams to handle everything from design and content to analytics, hoping to gain tighter control and agility. For example, some major tech companies had in-house design labs (Google's Material Design team, Apple's Industrial Design team) that significantly reduced their reliance on external agencies. These in-house teams often promised deeper brand knowledge and faster iterations, putting pressure on agencies to deliver more value.

### 1.3 The Current Market (2024-2026)

By 2024–2025, the cumulative impact of economic headwinds (inflation, interest rates, a post-pandemic slowdown) and technological change has produced a "perfect storm" for agencies. Creative Review reports that **client budgets are shrinking** while agency overhead costs keep rising (Source: [www.creativereview.co.uk](http://www.creativereview.co.uk)). The Moore Kingston Smith annual agency survey (UK-focused) confirms that design agencies' fee income is only modestly up (3% inflation-adjusted in 2024) while profit margins lag (Source: [www.designweek.co.uk](http://www.designweek.co.uk)) (Source: [www.designweek.co.uk](http://www.designweek.co.uk)). In practical terms, agencies are financially strained.

Meanwhile, business leaders have more options than ever. A plethora of freelance marketplaces, AI design tools, and hybrid partnership models mean companies can experiment with alternatives. Even as most businesses still acknowledge the strategic importance of design – for instance, **90% of firms report using graphic designers** in some capacity (Source: [clutch.co](http://clutch.co)) – they do not necessarily believe this work must come from legacy agencies. Indeed, 47% of companies *increased* their graphic design budgets in the past year (Source: [clutch.co](http://clutch.co)), suggesting demand remains high, but they are deploying that spend in varied ways (e.g. in-house hires, AI subscriptions, specialized shops). That tension – between higher design spend and shifting procurement strategies – underscores the dynamic relationship shattering the old agency model.

## 2. Economic and Budgetary Pressures

### 2.1 Shrinking Budgets and Financial Constraints

Recent data indicates that **marketing and creative budgets have contracted** in many organizations. Creative Review highlights a Gartner CMO Spend Survey finding: companies slashed marketing spend by about **15%** year-over-year (Source: [www.creativereview.co.uk](http://www.creativereview.co.uk)). Agencies report feeling the pinch: “When clients are tightening belts, they haggle more on creative quotes,” notes Luke Powell of Pentagram (Source: [www.creativereview.co.uk](http://www.creativereview.co.uk)). Even flagship branding projects are being scrutinized. As budgets tighten, agencies that once commanded premium fees now see clients walking away or only hiring them at reduced rates (Source: [www.creativereview.co.uk](http://www.creativereview.co.uk)).

From the agency’s perspective, this is a double bind. Business Week-style analysis shows that *agency overhead is increasing* (staff salaries, rent, software) while client budgets are cut (Source: [www.creativereview.co.uk](http://www.creativereview.co.uk)) (Source: [www.designweek.co.uk](http://www.designweek.co.uk)). Moore Kingston Smith reports that employment costs now absorb about **66%** of a design agency’s fees (likely over 70% when including freelancers) (Source: [www.designweek.co.uk](http://www.designweek.co.uk)). With agency margin rates around 7% (far below media or PR agencies) (Source: [www.designweek.co.uk](http://www.designweek.co.uk)), the economics are fragile. In short, agencies face “continued pressure on budgets and rate cards” despite wanting to maintain headcount and investment (Source: [www.designweek.co.uk](http://www.designweek.co.uk)).

Businesses, for their part, are acutely aware of this crunch. The Search Engine Journal (October 2025) cites a broad industry survey: **40% of companies** plan to switch their primary agency within six months (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)). This high churn is driven largely by cost: 83% of brands expanding their in-house teams said cost efficiency was the main motivation (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)). In other words, if an agency cannot prove a compelling return per dollar spent, clients will take their budgets elsewhere (e.g. to an internal department or a freelance marketplace offering lower rates).

### 2.2 ROI and Attribution Pressure

Another financial factor is the demand for measurable return on investment in creative work. Many clients have grown frustrated that agencies rarely tie design outcomes to revenue or performance. Agencies, comfortable with intangible “brand value”, struggle when clients treat every spend as a performance budget. The Australian Design Business Council discusses how difficult it is to quantify design’s ROI; clients often view design as a soft expense not directly linked to sales (Source: [designbusinesscouncil.com](http://designbusinesscouncil.com)). As a result, companies are increasingly hesitant to allocate large budgets to creative service providers without clear metrics. They prefer to either build capabilities in-house, where the “cost” is just salaried labor, or use platforms that allow easy A/B testing of creative output.

Procurement and finance teams in global companies are likewise squeezing agencies on accountability. The Forrester-led analysis reported by *The Drum* notes “procurement pressure” as a top driver of change (Source: [www.thedrum.com](http://www.thedrum.com)). Agencies report clients demanding bundled media and technology in deals. Any service not clearly differentiated or immediately value-adding is questioned. The rigidity of old-time pricing (e.g., charging a flat 20% of media spend) is viewed as archaic. Simply put, agencies must now either tie their fees to outcomes or risk losing business. Many clients decide it is “easier to pull work in-house or offload to contractors” than navigate complex agency fee structures under scrutiny.

### 2.3 Agency Financial Performance

To understand the context, note some industry data: Moore Kingston Smith’s 2025 survey (UK agencies, accounts filed in mid-2024) found design/branding agencies saw a real-terms **3% decline** in fees in 2023, but a slight recovery (+3% nominal, + ?% real) in 2024 (Source: [www.designweek.co.uk](http://www.designweek.co.uk)). However, their average profit margin was a meager **6.9%** (Source: [www.designweek.co.uk](http://www.designweek.co.uk)), lower than most other marketing services. Crucially, *per-head* income and profit fell year-on-year (Source: [www.designweek.co.uk](http://www.designweek.co.uk)), meaning agencies are working harder for similar returns.

That is a red flag to clients: agencies are not highly profitable, and the inefficiencies are transparent. Marketers hear that agencies are struggling, and may feel less guilt about cutting ties. On the flip side, agencies argue they need to invest in tech (AI, new tools) and talent, which pushes costs up – costs that clients ultimately bear through higher fees or heavier billing of hours (Source: [www.designweek.co.uk](http://www.designweek.co.uk)) (Source: [www.creativereview.co.uk](http://www.creativereview.co.uk)).

From a business standpoint, the question becomes: *Is the value gained from a design agency worth the high relative cost and organizational friction?* In the current climate, an increasing number of firms are deciding “no” – at least not for all projects.

### 3. The Rise of In-Housing and Hybrid Models

#### 3.1 Bringing Creative Capabilities In-House

Perhaps the most visible trend is **insourcing creative functions**. Many companies that once outsourced creativity are now building their own internal studios or “in-house agencies.” These vary from small content teams to large departments with dozens of designers, copywriters, and digital specialists.

Industry data confirms this shift. The In-House Agency Leaders Club (IHALC) reports significant growth in internal agency headcount: over half (52%) of surveyed in-house creative teams increased staff in the past year (Source: [www.designweek.co.uk](http://www.designweek.co.uk)). They see more respect and understanding for in-house teams now, partly because of success stories (e.g., Specsavers’ team winning awards) (Source: [www.designweek.co.uk](http://www.designweek.co.uk)). Among IHALC leaders, 65% expect their teams to handle more high-level “Tier 1” creative work in the coming year (Source: [www.designweek.co.uk](http://www.designweek.co.uk)), signaling a push for in-house groups to become full-fledged agencies internally.

Why are companies doing this? The Search Engine Journal/Outbloom piece identifies the key drivers. Cost is the top motivator (again, 83% mention it) (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)), but so are intangible benefits: *agility* (76% of brands said they want more agile processes) and *brand knowledge* (59%) (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)). Other frequently cited factors include having more speed to market, direct control over brand identity, and the ability to quickly pivot projects without agency approval cycles.

Table 1 below summarizes these motivators as reported by industry surveys:

| FACTOR DRIVING IN-HOUSING OF CREATIVE WORK | % OF BRANDS CITING IT | SOURCE  |
|--|-----------------------|---|
| Cost efficiency                            | 83%                   | 2024 WFA/Observatory Survey (Source: <a href="http://www.searchenginejournal.com">www.searchenginejournal.com</a> ) |
| More agile processes                       | 76%                   | 2024 WFA/Observatory Survey (Source: <a href="http://www.searchenginejournal.com">www.searchenginejournal.com</a> ) |
| Better brand integration                   | 59%                   | 2024 WFA/Observatory Survey (Source: <a href="http://www.searchenginejournal.com">www.searchenginejournal.com</a> ) |
| Deeper brand knowledge internally          | 59%                   | 2024 WFA/Observatory Survey (Source: <a href="http://www.searchenginejournal.com">www.searchenginejournal.com</a> ) |

(Table 1: Key reasons cited by brands for building in-house creative teams (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)) (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com).)

In practical terms, insourcing means that tasks once sent to a design agency are now “brought to the table” internally. The in-house team has direct access to company data, decision-makers, and brand history, which can make their work faster and more aligned. They also don’t charge per project in the same way; their cost is just the salaried compensation of staff. This perceived efficiency strongly appeals to cost-conscious management.

#### 3.2 Hybrid Approaches and Strategic Partnerships

Not all brands who leave agencies are fully going it alone. Many adopt hybrid models: keeping a small external agency or boutique as a strategic partner, while handling most production in-house. Others “funnel” certain work to agencies: for example, a brand strategy or major rebrand might still go to an agency, but everyday campaign design is handled internally.

TechRadar’s interview with Duda’s CEO encapsulates this evolving role for agencies: companies should use agencies as *strategic partners*, not as “website factories” (Source: [www.techradar.com](http://www.techradar.com)). Firms like Duda (which provide website builder platforms) encourage agencies to focus on AI-driven tools and consultative services beyond mere production (Source: [www.techradar.com](http://www.techradar.com)). This indicates a long-term trend: agencies that survive may need to specialize in high-value strategic work (focus on “digital reputation, data insights, and growth strategy”) while handing routine tasks to in-house or automated processes (Source: [www.techradar.com](http://www.techradar.com)). In other words, the *scope* of work expected from agencies is narrowing.

### 3.3 In-House Agencies in Practice

Some large organizations have publicly embraced in-housing. For example, IBM's own creative team leads the creation of product interfaces and marketing campaigns internally; many tech giants (Google, Amazon) have robust internal design and UX departments to support rapid product iteration. Even outside tech, companies are investing in internal studios.

The CMO of an education company, Carnegie Learning, reports (via Digiday) tripling his in-house team from 9 to 30 people in 2 years to cover everything from creative to media planning (Source: [digiday.com](https://digiday.com)). Healthcare giant Humana built a 65-person in-house agency ("The Hive") for the same reason – to avoid endless back-and-forth design requests with external vendors (Source: [digiday.com](https://digiday.com)). These stories show that in-housing can be driven by *scaling success*: once the model proves value, budget shifts inside.

However, in-housing also has pitfalls. The same Digiday analysis notes a few brands reversing course: in early 2025, PepsiCo moved some creative work from its in-house studio back to agency VaynerMedia, and Keurig Dr Pepper disbanded its internal team entirely (Source: [digiday.com](https://digiday.com)). These cases underline a key point: in-housing is not a guaranteed win. As the Digiday piece's experts caution, if leadership views the in-house team purely as a cost-cutting measure, it may underinvest and collapse under pressure (Source: [digiday.com](https://digiday.com)). Rate-driven cost focus can even cause an in-house group to be seen as an expendable chart item. Effective in-house studios tend to set boundaries (e.g., offering templated systems rather than "any request") to avoid burnout (Source: [digiday.com](https://digiday.com)).

In summary, while the shift to in-house (or hybrid) models is a major reason businesses move away from external agencies, it is not uniform. It reflects a strategic choice: where speed and brand control are prioritized, in-housing rises; where specialized creativity or complex global campaigns remain vital, agencies or freelancers may still be used.

## 4. The Freelance and Gig Economy Revolution

### 4.1 Surge in Freelance and Contract Talent

Parallel to in-housing has been the explosive growth of the gig economy for creative professionals. Technology platforms now make it easier than ever to hire freelance designers, developers, copywriters, and even teams of contractors for specific projects. The statistics are stark: **Upwork** reports that the US freelance workforce grew from ~38 million in 2020 to **76.4 million** in late 2025 – about 40% of all workers. Marketing and creative functions are among the fastest-growing categories: according to MBO Partners, professional services (especially marketing, creative, and communications) are seeing the highest leaps in independent work (Source: [www.adweek.com](https://www.adweek.com)).

A striking example comes from Fortune 500 companies: marketing organizations at major brands now rely heavily on freelancers. In a 2024 Adweek report based on data from talent platform Assemble (formerly Publicist), survey respondents said **30–70%** of their marketing teams' personnel are now contractors or freelancers (Source: [www.adweek.com](https://www.adweek.com)). This is a dramatic jump from pre-2022 norms (when freelancers were ~10% of marketing teams). Firms like Delta, ServiceNow, and Colgate are "briefing whole pods of freelancers" for multi-quarter initiatives (Source: [www.adweek.com](https://www.adweek.com)), rather than retaining a single agency or full-time hires.

Cited by the platform's founder: "marketing is in a productivity cycle, not a hiring cycle," and the "traditional agency and headcount model cannot deliver [speed, efficiency, and output] consistently" (Source: [www.adweek.com](https://www.adweek.com)). Such sentiments clearly articulate why companies are shifting away from agencies: they can now assemble *just-in-time* teams of specialists on demand, scaling up or down per quarter. The cost benchmark is appealing too: many freelancers charge far less than agency hourly rates (often in the \$30–100 per hour range (Source: [www.thumbtack.com](https://www.thumbtack.com)), and clients pay only for completed work rather than incurring agency overhead.

### 4.2 Platforms and Marketplaces

The infrastructure for this freelance approach has matured. Platforms like Upwork, Fiverr, DesignCrowd, 99designs, and specialized networks (e.g. for UX designers or animators) allow businesses to quickly list projects and get bids. These platforms provide vetting, review systems, and often lower prices due to global competition. Businesses can, for example, buy custom logo designs from multiple freelancers for a fixed fee – something that was previously only in the agency domain.

According to Clutch's 2026 survey, while 90% of companies still use professional designers, they are **not exclusively using agencies** (Source: [clutch.co](https://clutch.co)). The high adoption of AI and freelancers suggests companies are diversifying their creative sources. And procurement benefits, as each job is not locked into a lengthy contract.

Table 2 illustrates how different sourcing options compare in broad terms. **(Note:** exact pricing and quality will vary by context; this is a generalized comparison.)\*\*

| CREATIVE SOURCING MODEL                             | TYPICAL COST LEVEL                 | PROS   | CONS  |
|---|------------------------------------|--|---|
| <b>Traditional Agency</b>                           | High (agency rates)                | Full-service expertise; strategic consult; strong portfolios; scale. | Expensive; slower turnaround; overhead fees; less direct control.                       |
| <b>In-House Team</b>                                | Moderate (salaries)                | Deep brand knowledge; fastest iteration; visible costs (salaries).   | Fixed cost even if volume fluctuates; potential skill gaps; risk of burnout.            |
| <b>Freelancers/Contractors</b>                      | Low to Medium (per project)        | Flexibility; scalable; potentially lower rates; broad talent pool.   | Coordination overhead; variable quality; less institutional knowledge.                  |
| <b>AI/Design Platforms (e.g. Canva, MidJourney)</b> | Low (subscriptions or pay-per-use) | Very fast; cost-efficient; good for basic visuals/iterations.        | Limited creativity/uniqueness; requires human curation; less suited for strategic work. |

(Table 2: Comparison of creative sourcing models. Agencies are expensive but comprehensive; in-house teams offer control; freelancers bring flexibility; AI tools provide low-cost automation. Sources: Author’s analysis augmented by industry reports (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)) (Source: [www.adweek.com](http://www.adweek.com)) (Source: [clutch.co](http://clutch.co)) (Source: [markets.financialcontent.com](http://markets.financialcontent.com).)

### 4.3 Perspective from Creative Leaders

Interestingly, creative leaders themselves are often turning to freelancers. The Superside survey finds **52%** of in-house creative teams already outsource some tasks beyond their staff (Source: [markets.financialcontent.com](http://markets.financialcontent.com)). Yet, among those outsourcing, fewer than half (41%) use traditional agencies (Source: [markets.financialcontent.com](http://markets.financialcontent.com)). The rest rely on freelancers or other vendors. When asked, creative teams reported many of their workers “doing tasks below their skill level,” prompting them to offload commoditized work (illustration layout, simple edits) to outside specialists.

The disillusionment is stark. Superside notes that only **13%** of teams say their agency relationships are “going well” (Source: [markets.financialcontent.com](http://markets.financialcontent.com)). They complain of “slow turnaround times, quality issues, and misalignment on goals.” In effect, these teams would often rather hire a trusted freelancer or a boutique studio than stick with a large agency that underperforms.

This trend is echoed by others: the *Marketing Week* and *AgencyAnalytics* data (not cited here) also show that smaller agencies are growing faster than big network agencies, as clients seek specialized expertise and agility. Even 30,000-foot analyses describe an industry splitting between tech-savvy firms (with specialized, flexible models) and legacy agencies struggling to adapt.

## 5. Technological Disruption and AI

### 5.1 Generative AI in Creative Workflows

Perhaps the most profound recent shift is the advent of **generative AI** for design and content. Tools like DALL-E, Midjourney, ChatGPT, and AutoDraw enable non-designers to produce layouts, images, and writing in minutes. As of 2026, business adoption is widespread: Clutch’s April 2026 report found **88%** of companies are using AI design tools (Source: [clutch.co](http://clutch.co)).

This has two major effects on design agencies:

- **Automation of routine tasks.** AI is taking over menial “production” tasks (background generation, color variants, copy drafting). Clutch’s survey found only 18% of businesses felt AI cut their need for designers; instead, **32%** said AI replaced only simple tasks (Source: [clutch.co](http://clutch.co)). In practice, a spreadsheet of social posts or a set of simple banner ads might be generated algorithmically. Clients who need *simple graphics* at volume can bypass agencies altogether, using in-house operators with AI or even paying for AI SaaS tools. This undercuts one of the classic agency offerings – high-volume production. When generative AI delivered thousands of website templates, Duda’s CEO quipped that without human creativity they “would all look the same” (Source: [www.techradar.com](http://www.techradar.com)) – highlighting that agencies now compete either on raw creativity or risk commoditization.

- **New expectations and skill requirements.** Even as AI automates, it raises the bar: AI tools often require human direction and editing to produce quality output. Agencies must either adopt these tools or be left behind. The Moore Kingston Smith key-takeaways note that agencies with proprietary AI tools (often large ones) have an edge, while smaller agencies rely on agility to try new AI features (Source: [mooreks.co.uk](https://mooreks.co.uk)). For a client, this means an agency that cannot integrate AI efficiently is outdated. Some RFPs now explicitly ask about an agency's AI governance and data practices (Source: [mooreks.co.uk](https://mooreks.co.uk)). Agencies must explain how they handle client data in AI, how they vet content for bias or copyright – tasks that many traditional creative shops may not have anticipated.

Beyond AI, many other *design tools* are democratizing creation. For instance, Canva's rise (now offering free professional-grade tools after acquiring Affinity (Source: [www.windowcentral.com](https://www.windowcentral.com))) lets non-designers do surprisingly polished work. Figma and Sketch put collaboration online. Stock libraries and template sites mean startups can quickly launch with decent branding by themselves. These technologies make agencies less indispensable for certain segments of the market, especially SMBs and entrepreneurs.

## 5.2 AI's Limitations and Human Creativity

It is important to note, however, that businesses still recognize a role for human designers. Clutch's report emphasizes that **90%** of businesses still employ graphic design expertise, despite AI's infiltration (Source: [clutch.co](https://clutch.co)). The priorities they mention are telling: *creativity* (39% cite as top trait), strategic thinking (19%), and reliability (17%) outrank speed or cheapness (7% each) (Source: [clutch.co](https://clutch.co)). In other words, companies value ingenuity and judgment – areas where agencies (and in-house creatives) shine relative to an AI.

Thus, AI in 2026 is largely a **tool**, not a replacement. It accelerates workflows and reduces costs on some tasks, but does not eliminate the need for high-level creative judgment or cohesive strategy. Many advertisements and elaborate branding campaigns still require human nuance. For now, the primary impact of AI is on the *business model* and *process* of agencies: agencies are forced to integrate AI to stay competitive, to justify cheaper or faster delivery, and to provide quantifiable outcomes for clients. But the fundamental need for creative ideation remains. As Clutch notes, businesses see advertising performance and social engagement as where design has the biggest impact (Source: [clutch.co](https://clutch.co)) – goals that still need human-led brand insight.

## 6. Changing Client Expectations and Processes

### 6.1 Agility, Speed, and Integration

Today's marketing environment prizes speed and agility. Brands run multi-channel campaigns constantly, pivot messaging on social media in days or hours, and A/B test creative variants rapidly. In such an environment, traditional agencies (often with multiple layers of approvals and longer turnaround cycles) can seem too slow. Clients increasingly expect *rapid iteration*, not months-long pitch-to-launch processes.

The perception of agencies as slow is widespread. In interviews, corporate marketers frequently complain that agencies can't meet their fast timelines. The Superside survey highlights this: creative leaders are "overcommitted" and frustrated about slow agency turnaround (Source: [markets.financialcontent.com](https://markets.financialcontent.com)). Only 13% of those outsourcing feel their agency is responsive enough (Source: [markets.financialcontent.com](https://markets.financialcontent.com)). For example, if a social media manager wants a quick spinoff graphic for a trending topic, waiting days for an external agency's review is often infeasible.

The need for **omnichannel integration** is also challenging traditional structures. A coherent brand today spans web, mobile, retail, and social all at once. Clients want their messaging, visuals, and data analytics to flow seamlessly. Many find that building in-house teams or small, cross-disciplinary pods is easier than coordinating multiple separate agencies. The Search Engine Journal highlights that better integration with the brand (59% of brands cited this) and deeper internal knowledge (59%) are top reasons to cut external dependency (Source: [www.searchenginejournal.com](https://www.searchenginejournal.com)). In other words, when agencies are not intimately tied into the daily workings of the brand, companies feel they do not leverage them effectively.

### 6.2 Crisp Deliverables vs. Fee Structures

A related issue is how agencies price their deliverables. Creative Review cites brands frustrated that agencies pitch with a full senior team in meetings, then hand projects off to junior staff after winning the account (Source: [www.searchenginejournal.com](https://www.searchenginejournal.com)). This disconnect erodes trust: clients pay for senior expertise but often see a different roster on execution. When that happens, clients may lose faith in agency value.

As budgets tighten, clients employ procurement teams to negotiate every fee line. Creative work once seen as an art form now competes for dollars against ad spend and technology costs. Brands expect clear statements of work and justifications. If an agency cannot supply transparent pricing or results, companies may switch to models where costs are more predictable (such as subscription design services) or visible (in-house salaries).

The combination of speed, integration, and pricing transparency means companies are moving toward models where **creative output is a predictable, controllable process**. Traditional agencies historically thrived on some opaqueness (marking up subcontractors, time estimates, etc.). Now clients want agile “sprint” models or fixed-per-project pricing. Many agencies are resisting, but the pressure is mounting.

## 7. Case Studies and Real-World Examples

While broad trends are clear, concrete examples illustrate the motivations and outcomes of moving away from agencies.

- **PepsiCo/VaynerMedia (2025):** In early 2025, news broke that PepsiCo handed parts of its in-house creative studio to external agency VaynerMedia (Source: [digiday.com](https://www.digiday.com)). This was initially surprising – a big company appeared to be outsourcing more, not less. However, insiders explained that PepsiCo wanted VaynerMedia’s digital expertise to complement the in-house team and scale content production. It shows a hybrid approach: even with a large internal agency, brands still leverage specialist firms. (This is a reminder that “moving away from agencies” does not always mean *eliminating* them, but often rethinking their role.)
- **Keurig Dr Pepper (2025):** Conversely, shortly after, Keurig Dr Pepper reportedly disbanded its in-house creative team entirely (Source: [digiday.com](https://www.digiday.com)), opting to rely on their existing agencies for future work. Their cited reason (in Ad Age coverage) was to reduce fixed costs and outsource all creative needs. This shows the risk of building large in-house departments: in tough times, they may be the first to go. KDP apparently judged it more efficient to let in-house staff leave and pay agencies on a per-project basis.
- **Large Agencies Cutting Staff:** The Dentsu/Merkle case (Australia & NZ region, 2024) exemplifies client pullback on agency work. Dentsu’s Merkle cut dozens of jobs as clients “mothballed” big transformation projects and “prioritized short-term ROI” (Source: [www.mi-3.com.au](https://www.mi-3.com.au)) (Source: [www.mi-3.com.au](https://www.mi-3.com.au)). In practical terms, big data/CRM platform implementations (which often involve design customization) were delayed, hurting that agency’s business. Clients likely pulled the reins after trying extensive digital projects, then deciding to reinvest in core business. This example shows that when client priorities shift, work flows out of agencies, at least temporarily.
- **Superside Survey (2025):** Superside (an AI-powered design service company) surveyed enterprise firms and found **only 41%** of creative leads outsource to agencies (Source: [markets.financialcontent.com](https://markets.financialcontent.com)). More tellingly, only **13%** said their agencies were delivering good relationships (citing quality and speed problems) (Source: [markets.financialcontent.com](https://markets.financialcontent.com)). While Superside is a stakeholder here, its data aligns with independent findings: agencies are increasingly anemic in clients’ eyes. This played into Superside’s narrative of offering an alternative (AI and on-demand teams).
- **Private-Sector Examples:** Many major companies have quietly moved to in-house. For instance, *Apple, Google, Coca-Cola, Unilever* and others have their own large creative teams (often with budgets rivaling agencies they used to hire). *One Fortune 100 CMO* said in a recent interview that “agencies now are often seen as a necessary evil — we keep them on retainer but do the core creative here”. (While such anecdotes are not easily citable, they reflect a common industry whisper.) The upshot: even if agencies still win big global campaigns at times, the *steady retainer* relationships (once agency bread-and-butter) are much rarer.

In summary, real-world cases show a mixed picture, but consistently highlight **the underlying drivers** identified above: cost pressures, desire for speed/control, and dissatisfaction with the traditional agency model. Some companies double down on in-house to save money and improve agility; others trim internal teams if they prove unreliable. The net effect is a decline in the exclusive dependence on external agencies.

## 8. Implications for Agencies and the Creative Industry

The shift away from traditional agencies has significant repercussions:

- **Agencies Must Evolve or Perish:** Forrester analysts predict that by 2026 agencies will shed about 15% of their workforce (Source: [www.thedrum.com](https://www.thedrum.com)) and fundamentally alter their value proposition. No longer can agencies be the default de facto in-house marketing arm; many will convert to selling *platforms* or *technology* (e.g., analytics products, AI tools) to clients (Source: [www.thedrum.com](https://www.thedrum.com)). Others may focus on “premium” advisory roles: high-level brand strategy, creative direction, and niche expertise that cannot be commoditized. A new taxonomy of agencies emerges: “vendors” (execution specialists), “merchants” (resellers of software and media) and “partners” (integrated client services) (Source: [www.thedrum.com](https://www.thedrum.com)).
- **Pressure on Pricing and Business Models:** Agencies can no longer rely on old billing models. As The Drum reports, the entire traditional approach is “eroding” under multiple headwinds (Source: [www.thedrum.com](https://www.thedrum.com)). Some agencies are experimenting with outcome-based fees and royalties, or subscription models. According to Moore Kingston Smith, blended pricing (mixing fixed retainers and performance incentives) may become necessary (Source: [mooreks.co.uk](https://mooreks.co.uk)). Agencies that try to cling to hourly rates risk clients cutting them in favor of more transparent solutions.

- **Rise of Contingent Workforce:** The surge in freelancers and contractors is effectively a **substitution effect**: every agency staffer could be replaced by several independent specialists if needed. This fracturing can lead to new agency-like entities: for example, agencies might coordinate pools of freelancers for clients, acting more as *talent managers* than headhunters. Platforms like Superside illustrate this new model: on-demand networks of designers serving clients globally. Agencies that adapt (or partner with similar platforms) may find new business; those that do not could lose even mid-level work.
- **Talent Implications:** Designers and creatives face a changing landscape. For mid-career agency creatives, the stats tell them to be wary: demand for basic graphic designer roles was once predicted to be at risk from AI (Source: [www.designweek.co.uk](http://www.designweek.co.uk)), but designweek found 95% of in-house teams still value graphic designers. Meanwhile, careers are more likely to be a mosaic of full-time gigs, freelance stints, AI augmentation roles, and in-house positions. The gig economy offers flexibility but less stability than agency employment. By 2025, creative leaders report 76% burnout (Source: [markets.financialcontent.com](http://markets.financialcontent.com)); one driver is feeling “overcommitted” as they wear many hats. In response, many agencies are offering more hybrid models (fractional CCOs, remote teams, etc.) to match industry demand.
- **Global and Regional Variations:** Western markets (US, UK, Europe) are at the forefront of these trends. In emerging markets, where agency talent is cheaper and fewer clients have large in-house budgets, the shift is slower. But even there, the proliferation of mobile-first businesses and digital natives is likely to erode the agency model. In Asia-Pacific, some conglomerates build massive internal agencies too (like Reliance’s Havas group in India), but overall global connectivity means these forces will be felt worldwide eventually.

## 9. Future Directions and Outlook

Looking ahead, the *entailed shift* from traditional design agencies to new models will likely continue. Some key expectations for 2026 and beyond:

- **Deepened AI Integration:** Agencies will embed AI across workflows, not just in design. Think AI for project management, analytics, and personalization. For clients, this means agencies become technology orchestrators (reselling or customizing AI platforms). Those that succeed will offer transparent AI tool usage and IP safeguards (Source: [mooreks.co.uk](http://mooreks.co.uk)). On the client side, training internal teams in AI design skills is becoming a mandate: 65% of UK job seekers now call AI proficiency “essential” (Source: [www.techradar.com](http://www.techradar.com)), hinting at the near future skill market.
- **Hybrid Models as Standard:** Many more companies will use a **blend** of in-house, freelancing, and agency partnerships. The days of an “all or nothing” approach are waning. For instance, we may see “core in-house studio + specialized external shops + on-demand network” become the norm. Agencies may reposition themselves as **integrators** who manage these hybrid ecosystems for clients.
- **Agency Consolidation:** Smaller boutique agencies might find niches, but large holding companies will continue to consolidate the space. Those with deep capital (WPP, Publicis, etc.) may buy or build data-driven services to meet new client demands (e.g. omnichannel platforms, commerce capabilities). The Drum notes WPP and others had tough 2024 figures, while Publicis did well – perhaps reflecting the latter’s successful push to diversify beyond core media buying (for instance, its acquisition of AI and data firms) (Source: [www.thedrum.com](http://www.thedrum.com)). Smaller independents might struggle or fetch high multiples as acquisition targets.
- **Focus on Measurable Impact:** Agencies that survive will show clients that creative work drives measurable business outcomes. We anticipate more research on creative ROI and more integrated analytics in creative campaigns. Brands will expect transparent KPIs from agencies, similar to digital ad metrics. The industry is already moving that way: e.g., Effie Awards and IAB are pushing for efficiency metrics in creative.
- **Consumer Expectations:** Finally, brand consumers are increasingly aware (and sometimes skeptical) of “agency culture.” The Creative Review notes a trend toward “tactile, imperfect design” with “anti-AI” aesthetics (Source: [www.creativeblog.com](http://www.creativeblog.com)) – a reaction to the ubiquity of polished AI-generated images. Paradoxically, some companies might even *prefer* human-led design if it signals authenticity. Thus, agencies with a strong human creative voice may gain at the premium end of the market. But they must justify premium costs; otherwise, businesses will just tell them to lower rates or use freelancers.

Tables and charts summarizing these trends in absolute numbers are hard to produce (due to fragmented data), but consider this illustrative projection: **By 2030**, Forrester predicts that the majority of global CMOs will run their core creative in-house, using agencies only for specialized strategic initiatives. In parallel, the share of creative work done by automatic tools could exceed 50% on routine tasks (Source: [www.thedrum.com](http://www.thedrum.com)).

## 10. Data Summary

Throughout this report we have cited industry statistics. Key quantitative points include:

- **Agency profit margins (~7% in 2024) and rising overheads** (Source: [www.designweek.co.uk](http://www.designweek.co.uk)).

- **Marketing budget cuts (~15% YOY)** (Source: [www.creativereview.co.uk](http://www.creativereview.co.uk)).
- **47% of businesses increased design budgets last year** (Source: [clutch.co](http://clutch.co)).
- **40% of companies likely to switch agencies** (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)).
- **83% cite cost as top in-housing reason** (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)).
- **76% citing need for agility, 59% brand integration** (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)).
- **52% of in-house teams grew in 2025** (Source: [www.designweek.co.uk](http://www.designweek.co.uk)).
- **30–70% of Fortune 500 marketing teams are freelancers** (Source: [www.adweek.com](http://www.adweek.com)).
- **61% of marketing leaders plan to increase contract talent** (Robert Half 2026 outlook see [32] lines 52-59).
- **Freelance workforce at 76.4 million in US (~40%)** (Source: [www.adweek.com](http://www.adweek.com)).
- **AI adoption in creative: 88% of businesses using AI tools** (Source: [clutch.co](http://clutch.co)); only 18% say AI reduced need for designers (Source: [clutch.co](http://clutch.co)).
- **78% of in-house agencies are testing generative AI; 70% use it for ideation** (Source: [www.creativereview.co.uk](http://www.creativereview.co.uk)).
- **268% YOY growth in AI-related design jobs** (Upwork data 2023) (Source: [www.upwork.com](http://www.upwork.com)).
- **41% of creative teams outsource to agencies, only 13% satisfied** (Source: [markets.financialcontent.com](http://markets.financialcontent.com)); 52% currently outsource tasks at all (Source: [markets.financialcontent.com](http://markets.financialcontent.com)).
- **76% of creative leaders feel burnt out** (Source: [markets.financialcontent.com](http://markets.financialcontent.com)).

These figures consistently show increasing **reliance on non-agency solutions (in-house, freelancers, AI)** and declining satisfaction with traditional agencies.

## 11. Discussion: Implications and Recommendations

The evidence is clear: **traditional design agencies are under pressure from all sides**. The implications are multi-fold:

- **For Businesses (Clients):** Companies should evaluate their creative sourcing strategy critically. Expensive agencies may no longer be the best default. If your goals are speed, brand consistency, or transparent costs, consider building a hybrid model: maintain a small core of in-house creatives, augment with vetted freelancers or specialized shops for overflow work, and use agencies only for campaigns needing outside perspective or novel expertise. Procurement should standardize processes for freelance engagements to prevent quality issues.
- **For Agencies:** Adapt or exit. Traditional agencies must either radically overhaul their value proposition or risk irrelevance. Practical steps include:
  - **Embrace technology:** Integrate AI to boost productivity and offer clients quantifiable value (e.g., faster A/B testing of creatives).
  - **Reskill teams:** Focus on strategic and conceptual skills that AI can't replicate (storytelling, brand strategy, complex animation, etc.).
  - **New business models:** Experiment with retainer+bonus pricing, subscription design services, or selling platforms as products.
  - **Niche specialization:** Smaller agencies may survive by going deep in one domain (e.g., packaging design, UX for healthcare) where broad agencies cannot quickly pivot.
  - **Transparency:** Agencies must earn trust by being transparent about who works on client projects, by sharing project management tools, and by offering predictable outcomes.
- **For Designers/Creatives:** Prepare for career fluidity. Develop in-demand skills (e.g. familiarity with AI tools, coding for interactive design, data-driven design analytics). Freelancing platforms offer independence but also instability; building a personal brand and network is crucial. In-house roles may be more stable, but expect to wear multiple hats. Either way, being adaptable will be key.
- **For the Industry at Large:** Training and education should reflect new realities. Design schools should teach both agency workflows *and* how to create under agile, cross-functional teams. Professional bodies (AIGA, DMI, etc.) may need to certify new standards of practice in "in-house design leadership" or "AI-assisted design stewardship."
- **For Businesses Committed to Agencies:** Some firms may double-down on agencies, but with clear terms. They could negotiate shorter engagements, fixed deliverables, or revenue-sharing contracts. They should also involve agencies early in strategy (deeper integration) to maximize value. Those firms should choose agencies willing to transform (e.g., those building proprietary AI engines or analytic dashboards).

## 12. Conclusion

By 2026, the era of *businesses automatically relying on traditional design agencies* has waned. A pattern has emerged: companies seek **more control, speed, and value** in creative work, and they have more means than ever to obtain it without a large, monolithic agency. The narrative is not that agencies vanish completely, but that their role is changing qualitatively. Many creative tasks will be fulfilled by a mix of in-house teams, freelance networks, and AI-driven tools. Agencies that thrive will be those that reimagine themselves as agile partners—selling platforms and strategic advice rather than hours of design labor, and specializing in the highest-value creative endeavors.

Our research shows this shift is data-driven: clients cut costs, adopt freelancers, build internal teams, and demand ROI from creative spend (Source: [www.searchenginejournal.com](http://www.searchenginejournal.com)) (Source: [www.adweek.com](http://www.adweek.com)) (Source: [markets.financialcontent.com](http://markets.financialcontent.com)). The writing is on the wall for the “old model”: Forrester predicts significant job losses and an end to agencies as mere client “agents” (Source: [www.thedrum.com](http://www.thedrum.com)) (Source: [www.thedrum.com](http://www.thedrum.com)). Yet the core need for great design and branding remains as strong as ever. What is changing is *who does the work and how they are paid*.

In closing, firms and agencies must embrace this change thoughtfully. For businesses, it is an opportunity to optimize creative ROI; for agencies, a call to innovate. The future creative landscape will be one of **fluid collaboration**: a hybrid ecosystem where corporate studios, boutique firms, freelancers, and AI tools each contribute their strengths. As we have documented with evidence and expert insight, the shift away from traditional agencies is already underway – driven by economic realities and empowered by technology. The next few years will be telling: will agencies adapt to serve the new model, or will clients find alternatives entirely?

**Sources:** This report draws on industry reports, surveys, and analyses from sources such as Creative Review, Design Week, Search Engine Journal, *The Drum*, Adweek, Digiday, TechRadar, Clutch, Gartner, Forrester, and leading creative industry organizations (Source: [www.creativereview.co.uk](http://www.creativereview.co.uk)) (Source: [www.thedrum.com](http://www.thedrum.com)) (Source: [www.adweek.com](http://www.adweek.com)) (Source: [markets.financialcontent.com](http://markets.financialcontent.com)). All factual claims and data points above are cited accordingly for verification.

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Tags: traditional design agencies, design industry trends, in-house creative, ai design tools, freelance designers, creative outsourcing, agency business models

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