

Insource and Outsource of a Creative Division

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Abstract

This case aims to analyse all the steps and issues towards the decision making process of insourcing and outsourcing strategy solutions with creative purposes for Renascença comunicação multimédia. The Marketing Division of the radio group decided to challenge its creativity in order to keep up to the radio daily challenges and stand above the media competitors that use the same and different communication channels.

As a learning process, r/com faced the most variable challenges on its background and understood that in order to be successful, it is extremely important that all the radio brands of r/com maximize the usage of its people's talent as well as the available resources, internally or externally.

This case is pioneer concerning insourcing and outsourcing strategies of advertising creative talent on a media service company.

Resumo

Este caso pretende analisar os passos e tópicos abordados no processo decisão de um investimento interno ou externo com fins criativos por parte do grupo Renascença comunicação multimédia. O Departamento de Marketing decidiu então desafiar a criatividade do grupo de modo a manter-se uma marca com capacidade para responder aos desafios da indústria da rádio, mantendo-se assim uma marca de liderança face à concorrência que utiliza os mesmos ou outros meios de comunicação.

Com o passar dos anos, o grupo r/com foi capaz de aprender perante os desafios que lhe foram colocados e percebeu que para ter sucesso é preciso que todas as marcas de rádio do grupo r/com maximizem a utilização de todo o talento das suas pessoas e recursos disponíveis, quer internamente, quer externamente, para o seu sucesso.

Este caso é o primeiro a abordar estratégias de investimento interno e externo no que toca ao talento criativo dentro do mundo da publicidade numa empresa de comunicação.

Acknowledgments

Firstly, I thank my supervisor Professor Paulo Marcos, for all his support on my master thesis, Miguel Ferrão as my peer, and my colleagues from the seminary' classes who helped me improving my work.

Secondly, I would like to thank José Luís Ramos Pinheiro, Board Member of Renascença comunicação multimédia, for the possibility to develop my master thesis on the company as well as for my previous internship. It allowed me to get motivation work on the company. Special thanks are due to: João Lobo, Marketing Director of r/com that provided an important and crucial assistance to all my work; Joaquim Cannas, previous creative director of r/com, for his assistance and valuable information; and João Porto who provided me information about the Strategic Marketing Division. Moreover, I thank all the Marketing team: Sofia Gandra, Susana Palma, Carlos Dias, Sérgio Matos, Maria da Paz Faísca, Letícia Pinheiro, Helena Pité and Miguel Isaac, an intern that was assisting the Marketing and Communication team during my internship as well. To Rita Carreira, all the Human Resources team, all the production team of Rádio Sim, that motivated me during one week as radio assistant, to Luís Salgueiro, Ana Cabrita and all the Genius y Meios team, and to everyone that worked with me during my internship.

Finally, I would like to thank my father Luís Alvito and my mother Paula Alvito for all their support during my life and especially during my thesis period. To my brother for all the moments we shared and for being an inspiration to me, my younger sister, for sharing some of my passions, that motivates me to follow and fight for my dreams, and to my grandmother Maria Joaquina Oliveira that was always present and supported me every time that I needed. Additionally, I would like to thank all my family and friends that shared some of the best moments of my life and that supported me when needed.

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1. Insource and outsource of a creative division at r/com

It was a normal sunny day in Lisbon when suddenly someone knocked at the door. João Lobo, Marketing Director of r/com entered the room and sited on his chair in the middle of the room as he always did, but this time the organizational structure of the Marketing division was on the line. All the members of the Marketing and Communication Division were there, sited on a semicircle table's formation. They had to decide if r/com should invest on an internal or external strategy for creative purposes because they needed a new and fresh input towards advertising creativity within the radio group. However, there was a limited budget for those purposes and they had to present the final proposal to the Board within 3 hours, so it was extremely important to find a solution for the dilemma they were facing. They all thought about it during the last week, and now it was the time to discuss this issue.

1.1 Marketing and Communication Team

Having a broad experience in Marketing, João Lobo, Marketing Director at r/com, did not always work on the radio industry. Before the actual role at this communication leading group starting in 2004, he worked at BP as Marketing Manager and National Sales Manager and at Mobil Oil as Territory Manager. Since these were international companies, he was able to get a broader perspective about how delegation and responsibility among departments and teams work, allowing him to develop leading skills and knowledge about how to engage team work.

Nowadays, he is working together with the marketing and communication team formed by six people. Within this team there are three people working for the marketing and three other people working for the communication. Concerning the Marketing, Sofia Gandra is the Brand Manager of Rádio Renascença and Rádio Sim, Susana Palma is the Brand Manager of RFM and Carlos Dias is the Brand Manager of Mega Hits. In terms of the communication team, Sérgio Matos works as Assistant Manager and Maria da Paz and Letícia Pinheiro work as Public Relations (see Exhibit 1). Helena Pité provides secretary assistance to all this team. One of the strong aspects of this team is that most of them had different roles at r/com before entering the marketing department, which allowed them to better understand the behaviour and procedures within the company. Moreover, supporting the marketing team, there is an Internet division with seven people (3 web designers and 4 developers) which offers digital assistance on design production, and there is one person on the web tv division, which provides digital assistance on video production.

1.2 Renascença comunicação multimédia

João and his team knew their first step to decide about the insourcing versus outsourcing strategy for creative advertising concerned the analysis of the present company, its core business and its owned brands. This way, they would realise their real potentialities and would get an overview on r/com strategies.

Renascença comunicação multimedia is a Portuguese radio group company that communicates a catholic message by providing music, entertainment and information content through its media channels and platforms.

When it was founded, in 1938, it owned one radio station, called Rádio Renascença and it only communicated via the traditional radio. Over the years, r/com was able to expand its presence in the communication market and became the leading group on radio audience values (see exhibit 2 to 7). Nowadays it communicates towards the Portuguese public through its four radio brands, Rádio Renascença, RFM, Mega Hits and Rádio Sim, reaching four different segments, depending on age and content displayed (see exhibit 8), and communicates worldwide via Internet, reaching the Portuguese speaking people living abroad.

In addition to these four radio brands, r/com owns “Intervoz Publicidade, SA”, a commercial company and “Genius y Meios”, an entertainment and training company. Moreover it owns other brands such as two Web tv channels “Renascença V+” and “RFM vi”, one online newspaper, “Página 1”, one online sport’s program “Bola branca”, three RFM online music channels, “80’s RFM”, “RFM clubbing” and “Oceano Pacífico” and finally “Clube Renascença”, a club for those who shared the background history of r/com and wanted to be connected to the brand Renascença. All these brands show the growth of each radio and the response to its different needs and adaptations.

1.3 Radio and the media industry

Once r/com owned so many brands, Sofia Gandra mentioned it would be important to understand how r/com was adapting to the radio industry and how its audio consumption was changing over time. As a learning process, they had to understand how radio adapted the market and how consumer’s needs changed over time.

People are “always on” and waiting for an interaction, involvement or answers by the brands, so it is extremely important for radio brands to be “always on” as well. Therefore, today,

radio brands allow the consumer to actively participate on the decision making process, evaluation and production of the communicated content, spreading its message simultaneously with any activity done by the consumer and establishing a close relationship based on trust, which leads to more time of awareness and consumption of what is being communicated.

According to the previous creative director of the radio group, in comparison to other types of media, such as television and the press, radio was the one that better adapted the digital and technologic evolution by adapting to people's way of living through the creation of text, image and sound content. This allowed a 360° approach towards its relationship with the consumer by offering a complete message and diversifying on the platforms used.

When the radio was born, its main purpose was to communicate towards people via sound waves. Basically, it was one type of content that was being communicated over one platform. Today more than the traditional radio, there are brands that communicate over all the available platforms (see exhibits 9 to 15 and 18), providing different content on each one, delivering this way a complete perspective of what is being communicated. While television only transferred its content from one screen to another¹, and the press transferred its content from the paper to the screen, radio was able to generate additional value for the same content and create new content, instead of transferring the sound from one surface to another.

This way “radio got out of the box” and got agile on amplifying its communication, guaranteeing that its message is consumed on a simple, clear and continuous way by adapting to the moment of its consumption. A result of its good adaptation was that the audio radio consumption got stable over the years and did not decrease as expected (see exhibit 16). Moreover, radio was the media channel that had the lower decrease on advertising investment from companies and advertising agencies over the last 8 years (see exhibit 17)².

¹ From the television screen to the tablet or smartphone screen.

² Not including Internet

1.4 Competitors

Sérgio Matos added that, according to a conversation he had with João Porto, from the Strategic Marketing Department, it was also important to consider the radio brand competitors and how the media was adapting to the market needs.

Thanks to the digital and technological evolution, the number of communication channels and platforms used increased as well as the number of competitors in the media market.

In terms of radio production, its radio brands compete with other National and local radios. As each radio communicates towards a specific target (see exhibit 8), the main competitors are those who communicate for the same targets. Due to the insignificant size of local radio stations, the main competitors of each radio brand are those with a similar positioning and size. As r/com, there are more radio groups that own radio brands. Media Capital is the main competitor and some of its radio brands are the direct competitors of r/com. For Rádio Renascença, its direct competitors are M80³, Antena1⁴ and TSF⁵. As for RFM, its direct competitor is Rádio Comercial³, and this is the most challenging and known fight within the radio production (see exhibit 19 to 21). For Mega Hits, the main competitor in the market is Cidade FM³ and for Rádio Sim, despite not existing a direct competitor, there are small radio brands that communicate similar content.

In addition to the core business, r/com faces more different competitors. Media Capital owns a TV channel called TVI and so, in order to fight that, r/com decided to build a partnership together with SIC⁶ so it could provide the same benefits to its consumers. Although, having a partnership is completely different from owning a TV channel, because there are some limitations and barriers towards what can be communicated. Media Capital radio brands are able to communicate on the tv programs and shows, while r/com is only able to communicate on the commercials period or, and only sometimes, develop a deeper co-branding strategy.

³ Owned by Media Capital group.

⁴ Owned by RDP group (government).

⁵ Individual private radio brand.

⁶ TVI and SIC were already main rivals on television communication, regardless of this link towards the radio groups.

Completing its core business, the radio brands of r/com communicate to their public through text, image and video. Therefore, it faces different competitors depending on the communicated content: for music, it competes with youtube, spotify, soundcloud and other music platforms; for entertainment, it competes with TV channels, social networks, on-place events, music festivals, cinema, sports and others; for information it competes with local and national press, television channels and information websites or similar.

Outside the radio production and looking for the commercial area, r/com competes with all the different channels that provide commercial spots, advertising or other promotional methods. This competition is not oriented to the public of radio brands, but towards analysts and advertising investors, such as advertising agencies and companies that want to use radio and its platforms to promote their product or service.

Despite the different competitors towards the public of radio brands and radio investors, both markets impact each other. The number of people listening to the radio brands will attract the number of investors, and a high investment by these will allow a more creative development of the communicated content which will lead to a higher number of audio radio consumers.

1.5 Core business related creativity inside r/com

Susana Palma immediately changed the topic of the conversation and said it was important to look for r/com creative way of thinking. It was crucial to identify the creative talent inside r/com on its core business to better perceive how the group was replying to its daily challenges.

Since r/com faced a high competition and since there was a digital and technological evolution, it became crucial to develop creative strategies to overcome the daily challenges of the radio industry. Creativity was required not only on the marketing department but in almost all of r/com activities since its service required a creative dynamic approach, all the agents must be creative people.

In what concerns to the radio production, there was a clear need for the service provided to be innovative and different on a regular basis. People were always waiting for an interaction, involvement or answer by the brands, therefore r/com radio brands had to develop creative ways of involving the consumers on its service. People could chat live with radio communicators during their favourite program and could select the desired music they wanted to hear, as be involved within the radio program in other levels. Additionally, it was

extremely important for communicators to always find a way to make consumers attracted towards the content that was being communicated due to the easy way of changing radio station or getting distracted. Thus, creative strategies like telling the consumers that a specific music would pass within five minutes or that a particular topic would be spoken right after the commercials were adopted to make people aware and tuned on the desired radio station. It might look very logical and intuitive, but there was a lot of scientific work⁷.

Once, a radio consultant said that one of the biggest problems for a radio station and for those who communicate was to make people turn off the radio on the right radio station. When people turn the radio on again, they would listen to the tuning one radio station. In case it was the competitor, people would only change to the correct radio station if they were not enjoying what was being communicated. Therefore, radio programs had to be innovative by themselves. One creative idea of RFM was for its communicators to sing popular songs while adapting its lyrics to up to date subjects (see exhibits 22 and 23), and then spread it over the different platforms. This way, consumers would be aware of the message and spread it as well or watch it and hear it later again. In Mega Hits, the Web10 was also a creative program that involved the teenagers to go online and vote on the top 10 musics they wanted to listen on the radio.

Another creative strategy developed by r/com was the way Mega Hits overcame the challenge of not being able to become a National radio. Once it had not been provided a national radio frequency, it decided to buy local radio stations all over the country⁸.

⁷ Another example: There are many tv channels that developed creative strategies towards the duration of commercial during the programs break. In order to people to forget about the high number of commercials, many tv channels decided to put the break duration on the top of the screen so that people would know how long it would take. This way, people would not change the channel and wait for it to end.

⁸ In order to become a national radio station, there is a process to follow which requires the existence of a radio frequency and the development of a contest by the government to provide that same radio frequency. For more information about national radio policies in Portugal please check the following law (Lei nº54/2010, de 24 de Dezembro – Lei da Rádio) or check www.erc.pt/pt/radio or www.gmcs.pt/pt/radio.

1.6 Insourcing investments – Inside Companies

Maria da Paz noticed that time was passing by and they did not have discussed about the main topic of the dilemma concerning insourcing versus outsourcing. Therefore, she oriented the conversation towards the two situations in the past where r/com invested on an internal strategy. This way they would be able to understand if r/com would be able to invest again on an internal strategy or if it was a completely different situation.

1.6.1 Intervoz Publicidade, SA – Commercial division

Founded in 1973, Intervoz was a french company that aimed to sell commercial and advertising spots exclusively for r/com. Every time that an advertising agency or any company wanted to use r/com radio brands and their platforms to advertise their product or service, they would contact Intervoz in order to develop a specific program towards their promotion. In the beginning there were only radio commercial spots available, but over the years and as the digital and technological evolution took place, there were much more alternatives for commercial investment. Companies and advertising agencies could promote their product or service in all the radio brand platforms, channels, events and activities, as physical promotion on the radio studios (see exhibit 24).

It started as an outsourcing strategy, but r/com decided to buy Intervoz and change it to an insource strategy because it was related to its core business and since there would be more benefits in terms of profits and better communication between the company and the investors.

In terms of radio spots, there is a table pricing that can be discussed depending on the required commercial plan (number of spots, duration of spots, duration of campaign, time of spots communication, etc.). Relative to other type of advertising, Intervoz also allows for investment on r/com radio web-sites, social media, online newspaper, events, Email marketing and much more.

1.6.2 Genius y Meios – Entertainment and Training

Founded in 2008, Genius y Meios was created to generate entertainment events for the radio brands of r/com and to provide outsourcing education and workshops for communication, journalism, creative writing, radio communication and others. The main objective was to take

advantage of its people's knowledge and train outsiders about the radio activity on all its levels. People who wanted to become reporters, copy writers, radio communicators or similar could now learn from the leading company in the radio communication industry.

Moreover, the creation of Genius y Meios was a turning point on the events promotion for all the radio brands of r/com. The brands could still adopt co-branding strategies towards music festivals or other events, but from that moment on, each radio brand could organize their own events on a big scale. They could invite international artists to perform under the brand name. Some of the most know international artists that Genius y Meios brought to Portugal were Swedish House Mafia, José Carreras, Hardwell (see exhibit 25) and others. In addition to individual artists, Genius y Meios organized big national events like RFM SOMNII – O MAIOR SUNSET DE SEMPRE⁹ (see exhibit 26).

The creation of this company as an internal strategy was very creative in the sense that allowed r/com to amplify its area of activity within the music market and generated a new income source.

1.7 Marketing and Communication

Carlos Dias alerted the team that they were forgetting to talk about the marketing department. After all, the decision of insourcing or outsourcing would be for their department. They knew they had to learn with past examples of insourcing and outsourcing within r/com, but they had to focus on the marketing department and its needs and goals.

The marketing department of r/com appeared together with the need of making someone responsible to promote one local as the place where one of the most famous radio shows in Portugal would occur. António Sala was one of the most known communicators during the 80's and every time he would do a live record, thousands of people would gather to see him and listen. Therefore, it was extremely important to use the image of the brand in the place so that people could recognize it.

⁹ The biggest sunset ever

Nowadays, the Marketing department does much more than that. Focusing on operational marketing, the department is mainly responsible for the promotion of the four radio brands of r/com. Using all the places where the brands are present, it tries to maximize the value captured by the usage of the image of the brands on the most variable ways, such as roll ups on events, logo on movie and event outdoors, activation/furtherance, music festivals, merchandising, contests, on the clothes that the communicators use, on the studio¹⁰, and more. Basically, on everyplace where the brand can be physically or digitally represented in order to communicate its values. Therefore, it was extremely important that the logo, colors and lettering used were communicating what the brand represented, otherwise its message would not be clear. As the service evolved, the logo of the brands had to evolve and adapt as well towards the brand needs. So it was crucial for the department to well define the segments of the market, the targets each brand would communicate and how its positioning should be on the consumers mind.

This way, r/com adapted a new organizational structure having the brand as the center of all the activity. For each one of the four radio brands, there was a manager that was responsible for everything that implied the usage of the brand and his/her main goal was to maximize the usage of all the necessitated talent and resources (internal or external) in order to satisfy the brand needs (see exhibit 27). Thus, it was extremely important to have direct contact to communication in order to be able to communicate to public relations, investors, media and press in the most accurate way.

1.8 Creativity and Advertising Agencies

Despite all the creative talent inside r/com, most of it was oriented towards the core business and not related to the dilemma they were facing, so Letícia Pinheiro decided to highlight its importance by discussing about how r/com invested on creative talent for the group advertising area and how it adopted internal or external strategies so far.

¹⁰ Due to live video recordings or photos.

In terms of creativity within the marketing division, r/com only started to invest outside on an advertising agency around 2002 and TBWA¹¹ was the assigned agency. Few years later, when r/com decided to rebrand Rádio Renascença, Ogilvy & Mather became the new agency since it was the one winning the pitch. Through time, and as the radio industry evolved, the relationship with Ogilvy got deeper. Therefore the creative work developed by the agency became more dynamic. Subsequently, Ogilvy was also responsible for the rebranding and positioning of the other three radio brands because the previous logo and images were not communicating the new adaptation to the digital and technologic evolution and towards the desired target.

In addition to the rebrandings, Ogilvy was also responsible for some of the most known marketing campaigns of the radio group and inside the media industry in Portugal. When the country was still facing the economic and financial crises, around 2012, Ogilvy developed for RFM the following campaigns:

“O Subsídio – Sim, nós damos”¹² (see exhibit 28); “O Ordenado – Sim, nós duplicamos”¹³; “As Férias – Sim, tu vais”¹⁴ (see exhibit 29); “A Renda – Sim, nós pagamos”¹⁵; “A Despensa – Sim, nós enchemos”¹⁶

These campaigns got Portuguese people attention because they aimed to work as special measures to help the population by providing monetary assistance. While the Portuguese government was cutting all the salaries and firing some of its employees, RFM was helping the Portuguese people by providing some hope. Another successful creative campaign developed by Ogilvy was “Elogios”¹⁷ (see exhibit 30). Its purpose was to make live eulogies to r/com workers, partners or radio brand consumers in order to generate a good mood environment on the Portuguese population. Adding that good will, the campaign was really

¹¹ Tragos, Bonnange, Wiesendanger, Ajroldi

¹² The subsidy – Yes, we give

¹³ The paycheck – Yes, we double it

¹⁴ The vacations – Yes, you go

¹⁵ The rent – Yes, we pay

¹⁶ The pantry – Yes, we fill

¹⁷ Eulogies

well embraced by the Portuguese population and got even many awards within the creative industry.

Through time, the creative advertising component was transferred to the agency and r/com started to lose internal resources. Thus, r/com invested on a small internal team for design and video production. Smaller tasks that needed urgency on its production would be done by these teams¹⁸ that supported the marketing and communication department.

1.9 The Final Countdown

It was the time to present the final solution to the Board team of r/com, but the marketing team still did not know which the best solution was towards the dilemma. They knew that r/com needed a new and fresh input towards advertising creativity and since the company was working on a 360° strategy where the brand manager had to use all the available resources, independently if insourcing or outsourcing, it was important to satisfy the brand need to evolve.

In terms of insourcing, r/com had a lot of creative talented people, but oriented to the core business. In addition, they had two positive examples of insourcing strategies within the radio group and there was already small teams created for small creative advertising tasks.

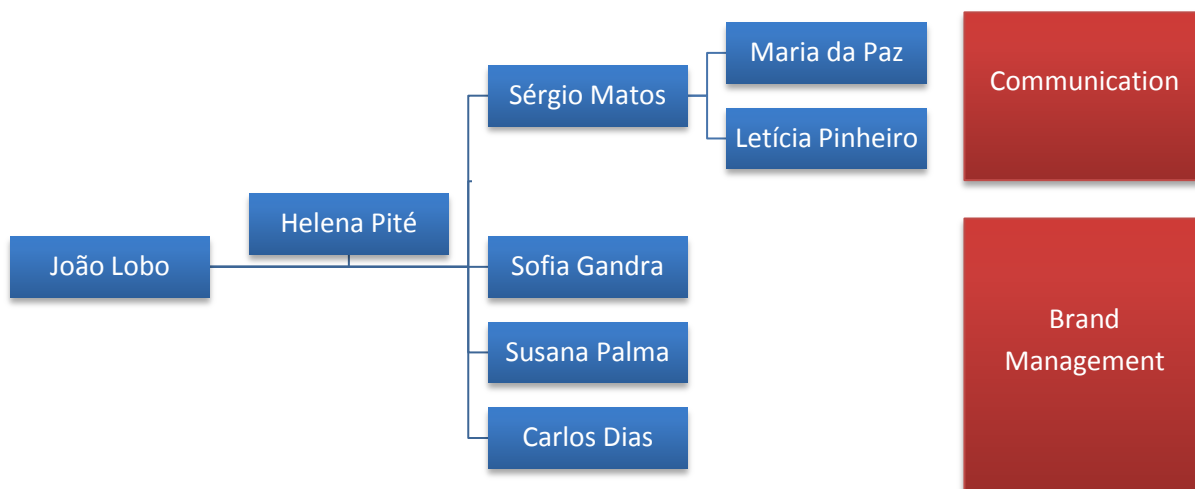
In what concerns to an outsourcing strategy, r/com knew most of its creative advertising knowledge was on the creative agencies and due to budget limitations it might be a better solution than investing on internal resources.

As such, João thanked his team for the long discussion and left the room towards the Board meeting. He would present both positive and negative aspects of each proposal and see what the Board opinion was.

¹⁸ Web design and Web tv

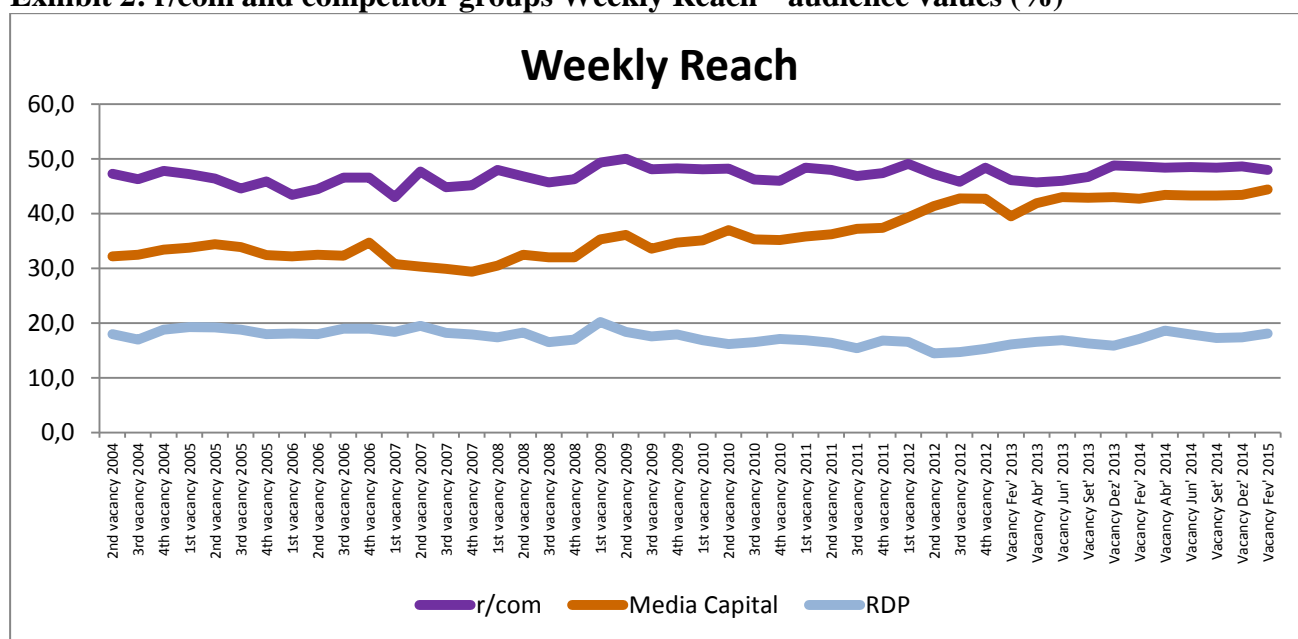
Tables & Figures

Exhibit 1: r/com Marketing Department structure



Source: Renascença Comunicação Multimédia

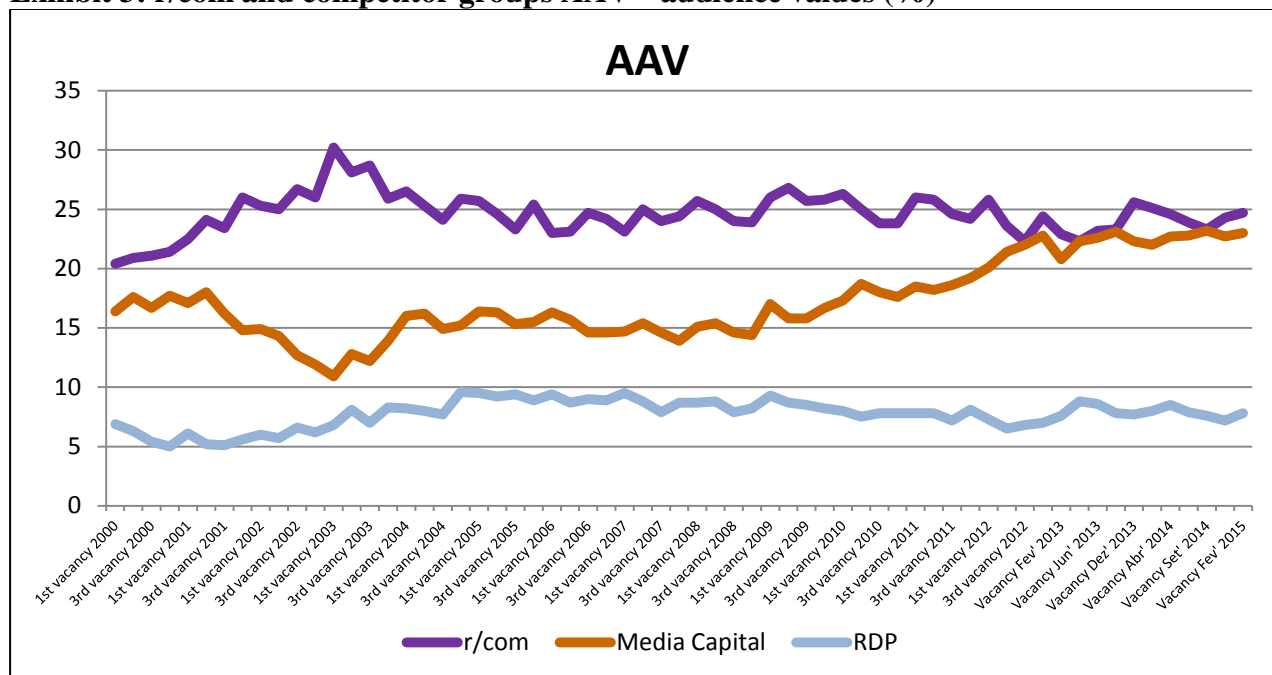
Exhibit 2: r/com and competitor groups Weekly Reach¹⁹ audience values (%)



Source: r/com values from MARKTEST audience values

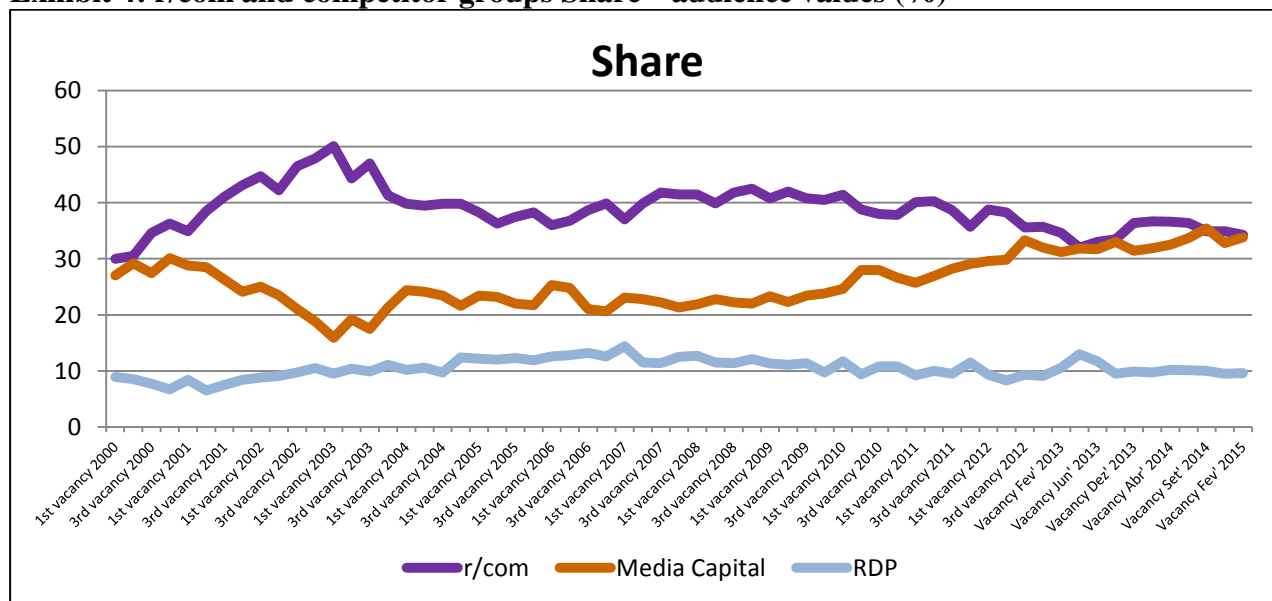
¹⁹ Weekly Reach: Number or percentage of people that had listened one specific radio station, within one week period (7 days), independently of its duration.

Exhibit 3: r/com and competitor groups AAV²⁰ audience values (%)



Source: r/com values from MARKTEST audience values

Exhibit 4: r/com and competitor groups Share²¹ audience values (%)

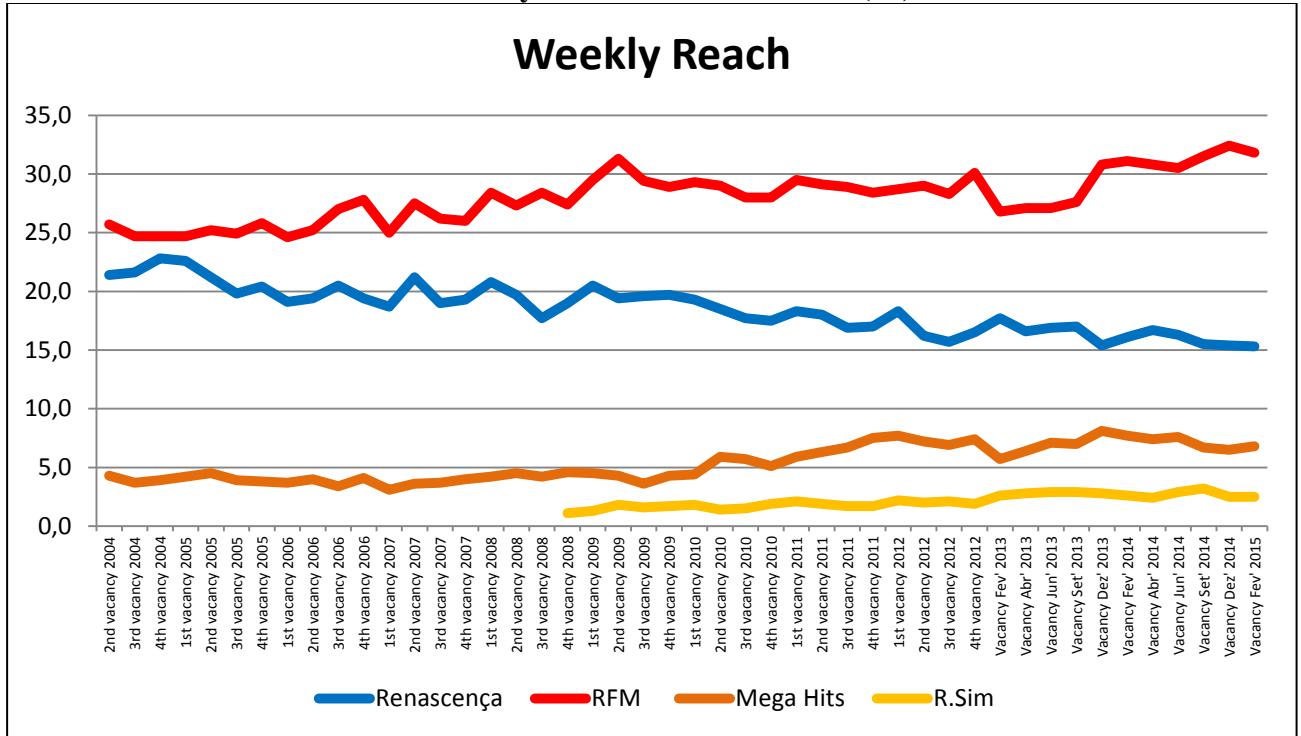


Source: r/com values from MARKTEST audience values

²⁰ AVV: Number or percentage of people that had listened one specific radio station, within one day period, independently of its duration.

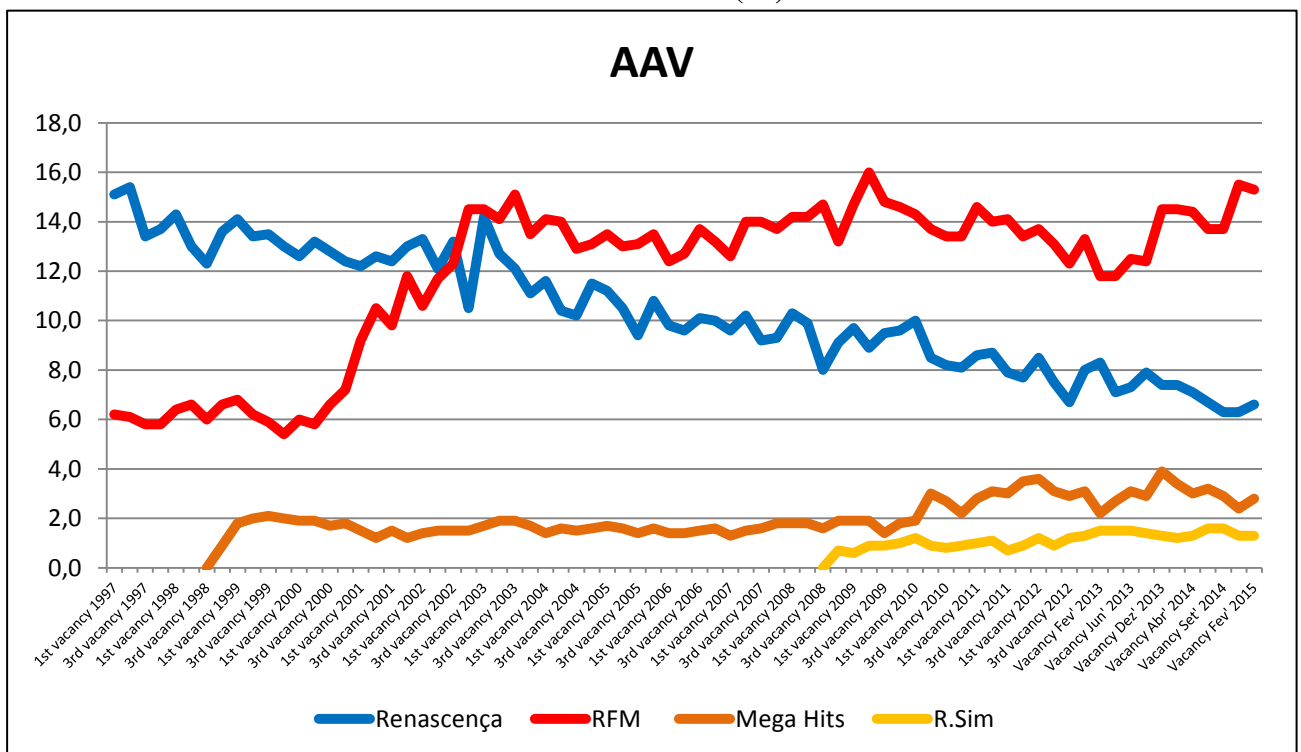
²¹ Share: Percentage of time spent, by a group of people, listening to one specific radio station, in comparison to the total radio listening period, in a certain moment.

Exhibit 5: r/com radio stations Weekly Reach audience values (%)



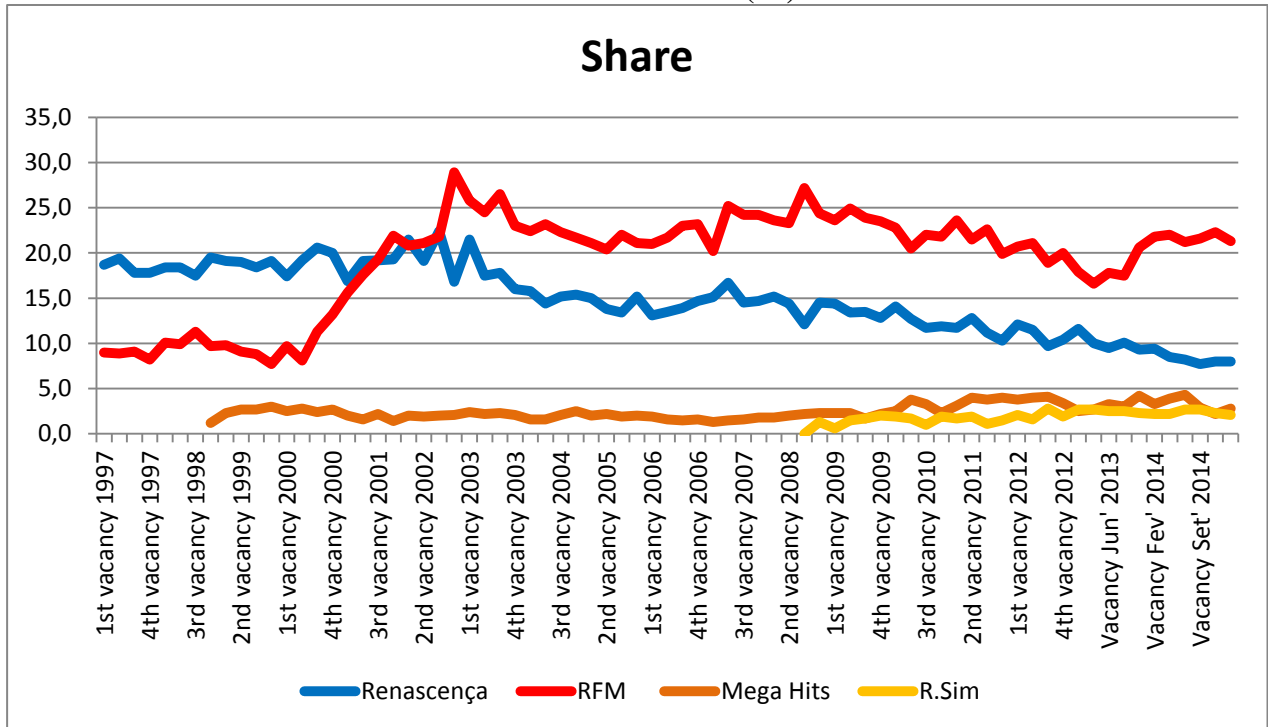
Source: r/com values from MARKTEST audience values

Exhibit 6: r/com radio stations AAV audience values (%)



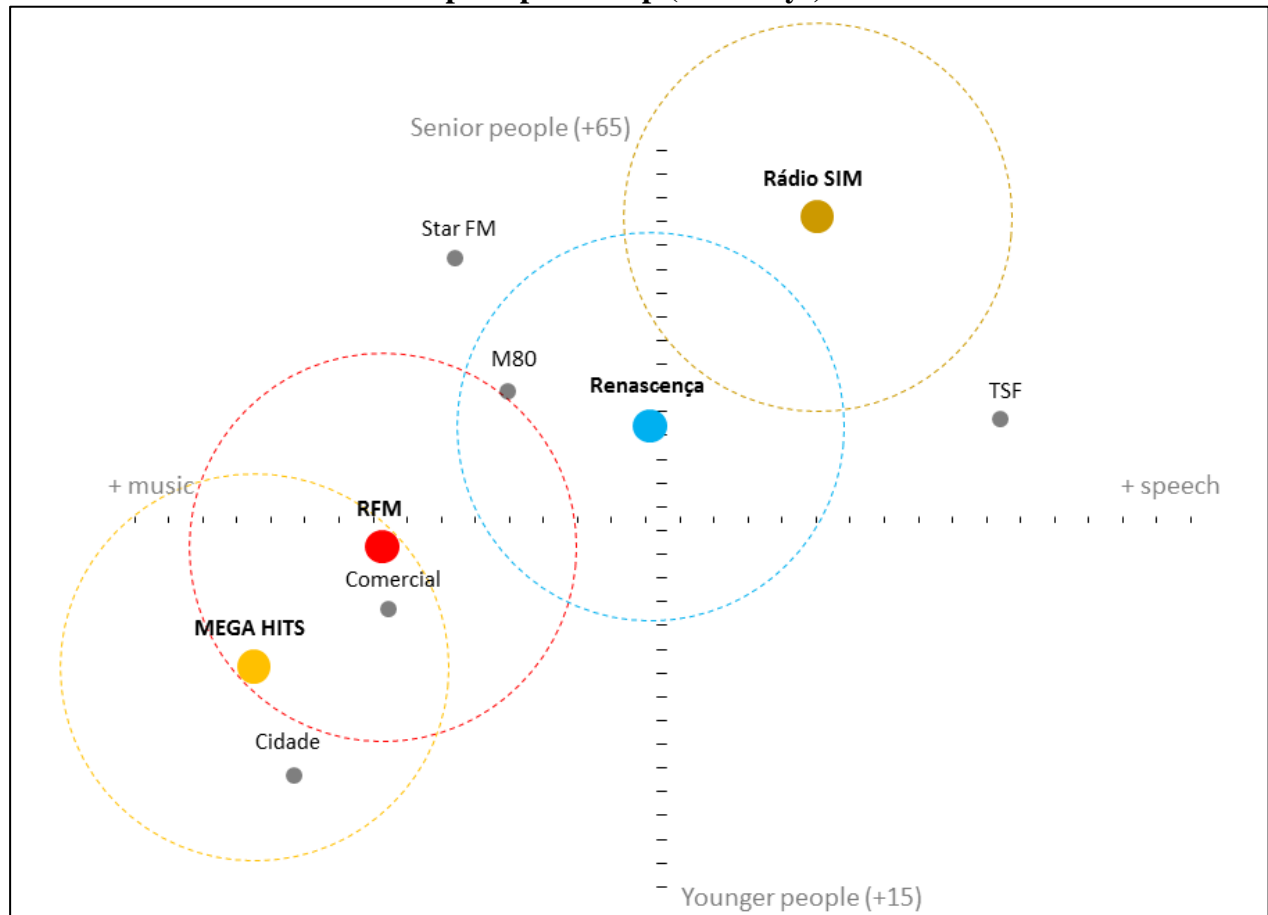
Source: r/com values from MARKTEST audience values

Exhibit 7: r/com radio stations Share audience values (%)



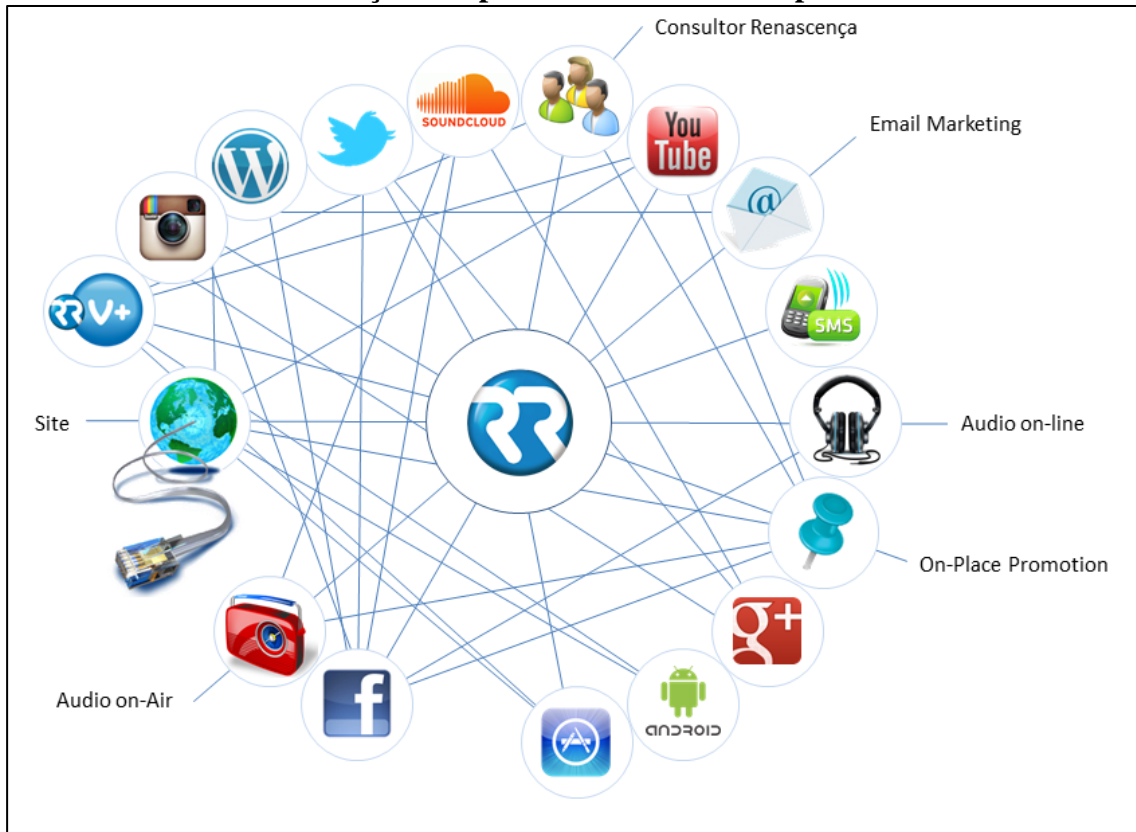
Source: r/com values from MARKTEST audience values

Exhibit 8: r/com radios stations perceptual map (nowadays)



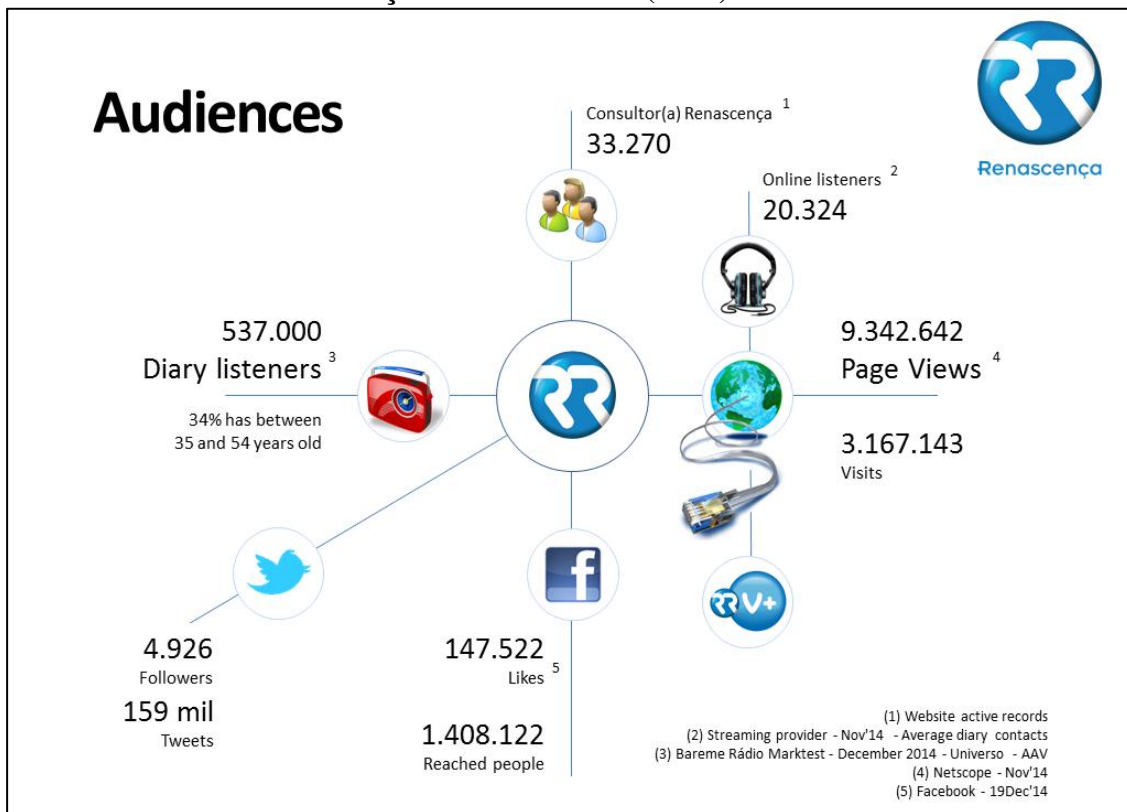
Source: Renascença Comunicação Multimédia

Exhibit 9: Rádio Renascença multiplatform and channels presence



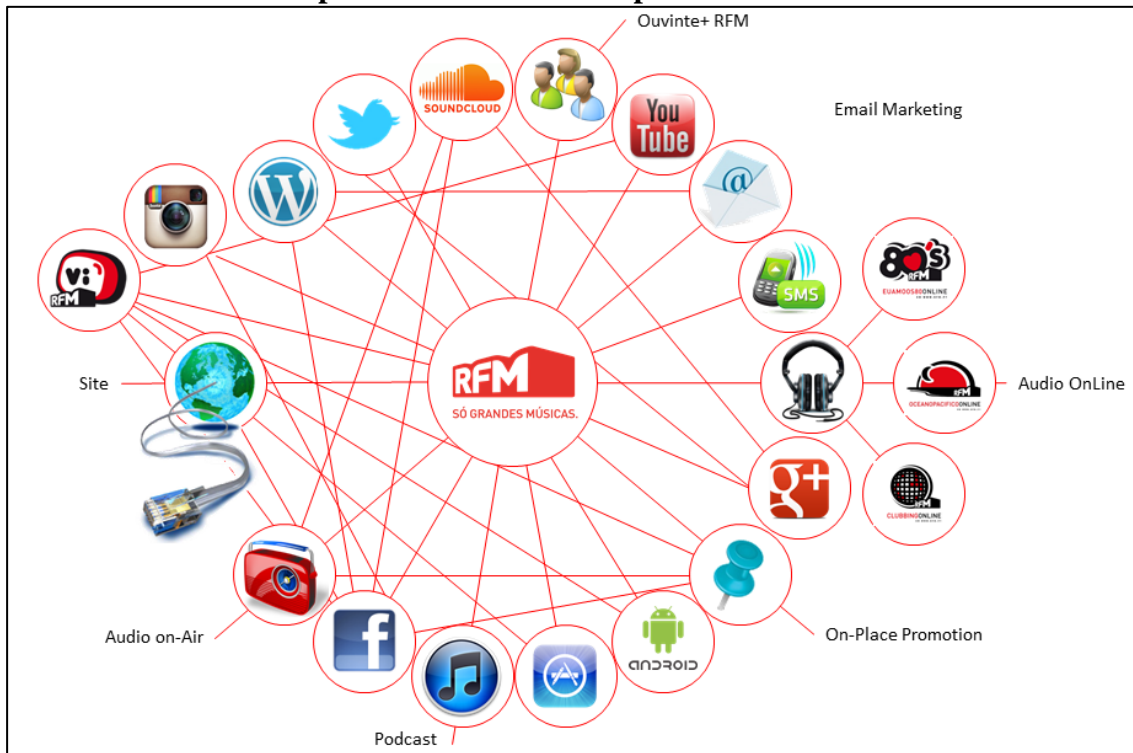
Source: Renascença Comunicação Multimédia

Exhibit 10: Rádio Renascença audience values (2014)



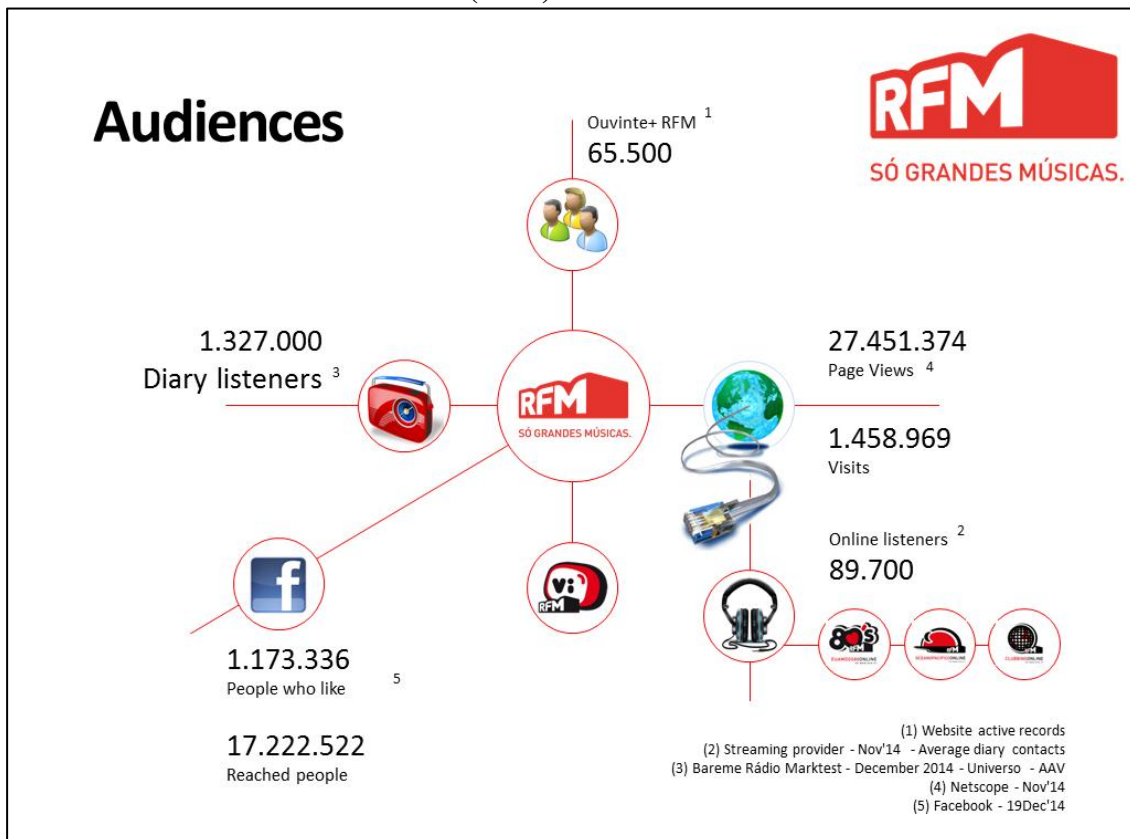
Source: Renascença Comunicação Multimédia

Exhibit 11: RFM multiplatform and channels presence



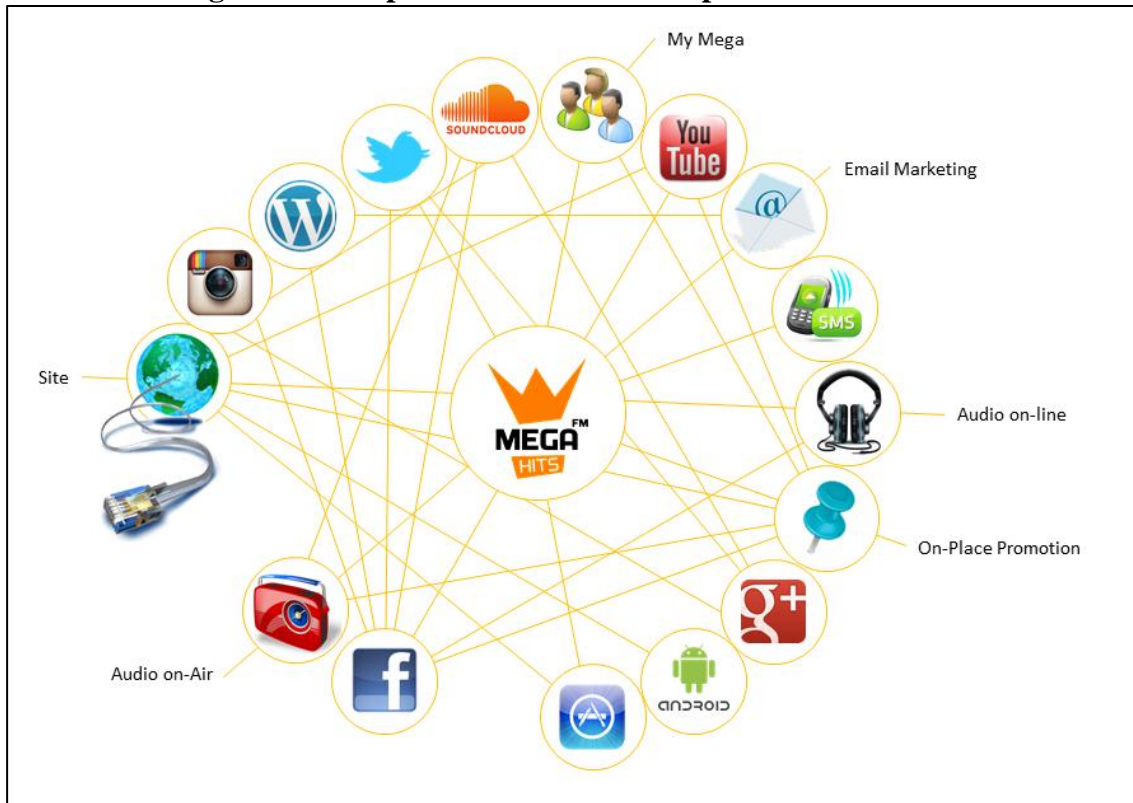
Source: Renascença Comunicação Multimédia

Exhibit 12: RFM audience values (2014)



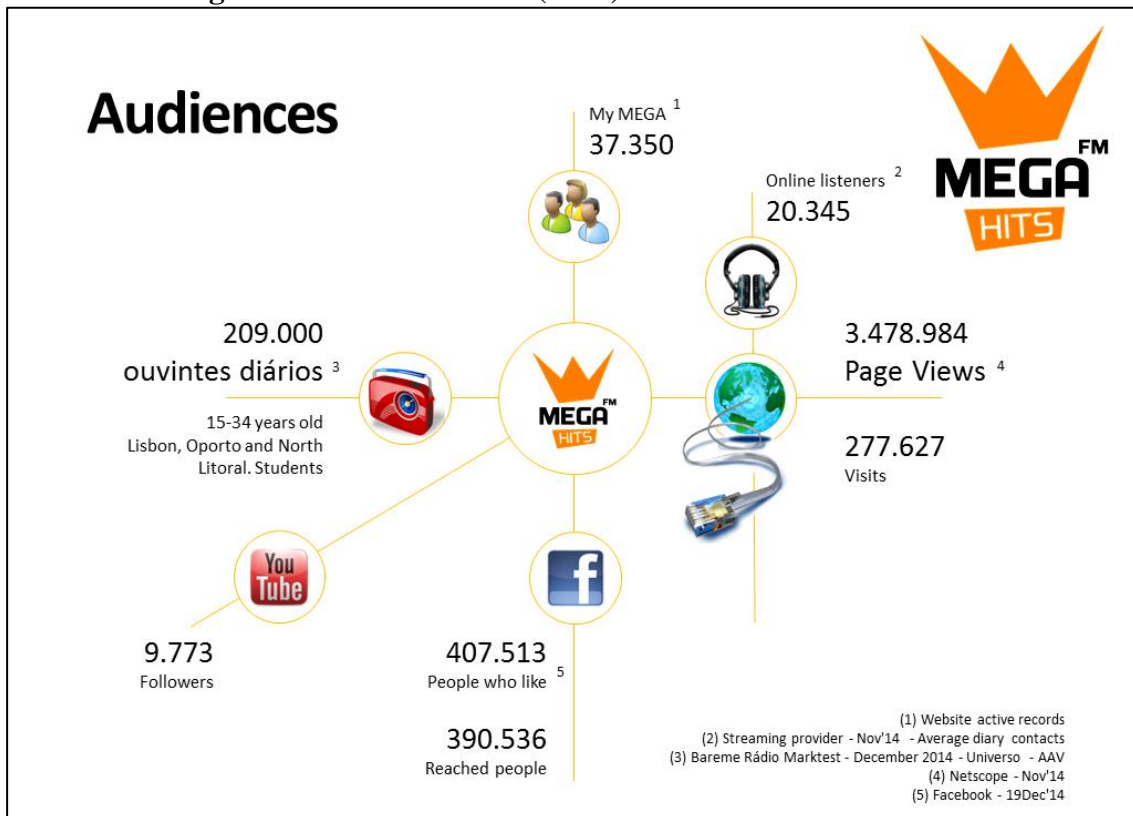
Source: Renascença Comunicação Multimédia

Exhibit 13: Mega Hits multiplatform and channels presence



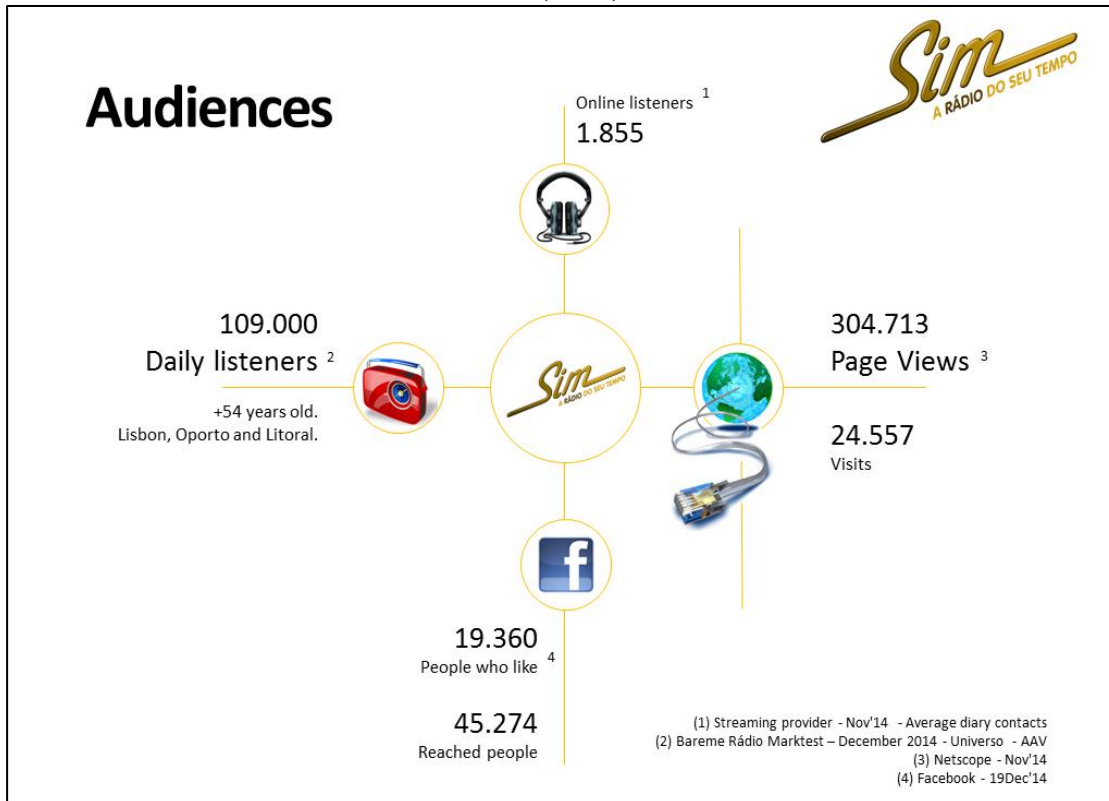
Source: Renascença Comunicação Multimédia

Exhibit 14: Mega Hits audience values (2014)



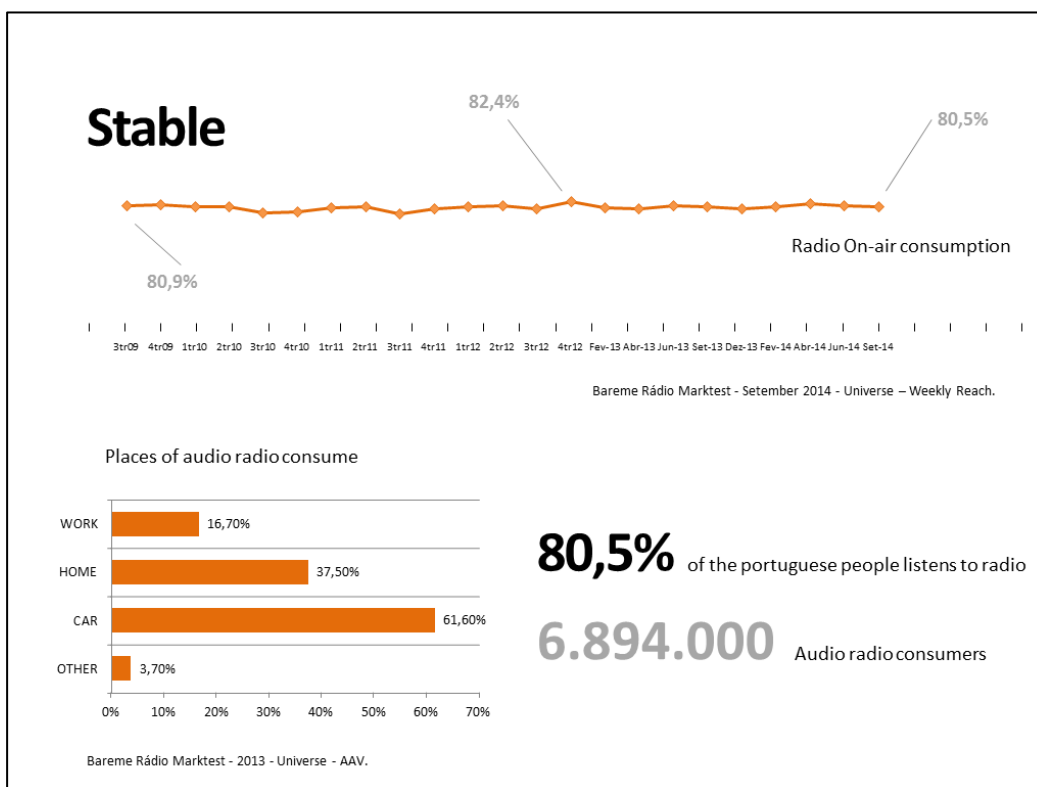
Source: Renascença Comunicação Multimédia

Exhibit 15: Rádio Sim audience values (2014)



Source: Renascença Comunicação Multimédia

Exhibit 16: Audio radio consume



Source: Renascença comunicação multimédia

Exhibit 17: Investment on advertising media channels (weight)

	2014	2013	2012	2011	2010	2009	2008	2007	Inv. Evolution (2007-2014)
Television	56,2%	57,6%	57,6%	57,4%	58,3%	57,9%	56,9%	56,6%	-40,9%
Press	12,1%	12,9%	14,1%	15,3%	16,9%	18,2%	20,7%	22,1%	-67,4%
Outdoors	12,3%	11,9%	12,2%	13,8%	13,4%	13,8%	13,8%	13,4%	-45,7%
Internet	12,1%	10,3%	8,3%	6,4%	4,9%	3,9%	2,9%	1,8%	293,2%
Radio	7,0%	7,0%	7,4%	6,8%	6,1%	5,9%	5,3%	5,6%	-24,9%
Cinema	0,2%	0,3%	0,4%	0,4%	0,4%	0,4%	0,5%	0,5%	-69,7%
Total	100%	100%	100%	100%	100%	100%	100%	100%	44,6%

Source: Analysis done by case author using available data.

Exhibit 18: Outdoor of RR showing its multiplatform presence

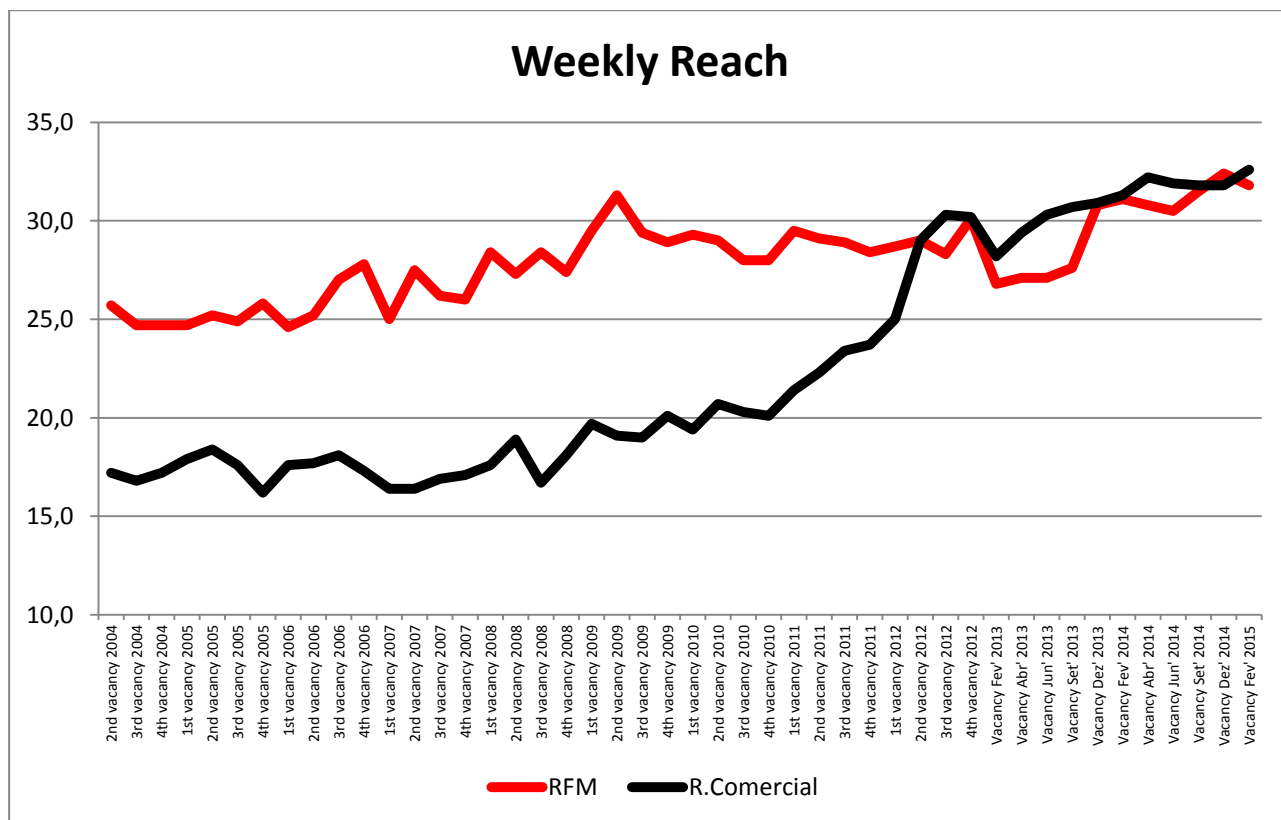


Source: Rádio Renascença

Description:

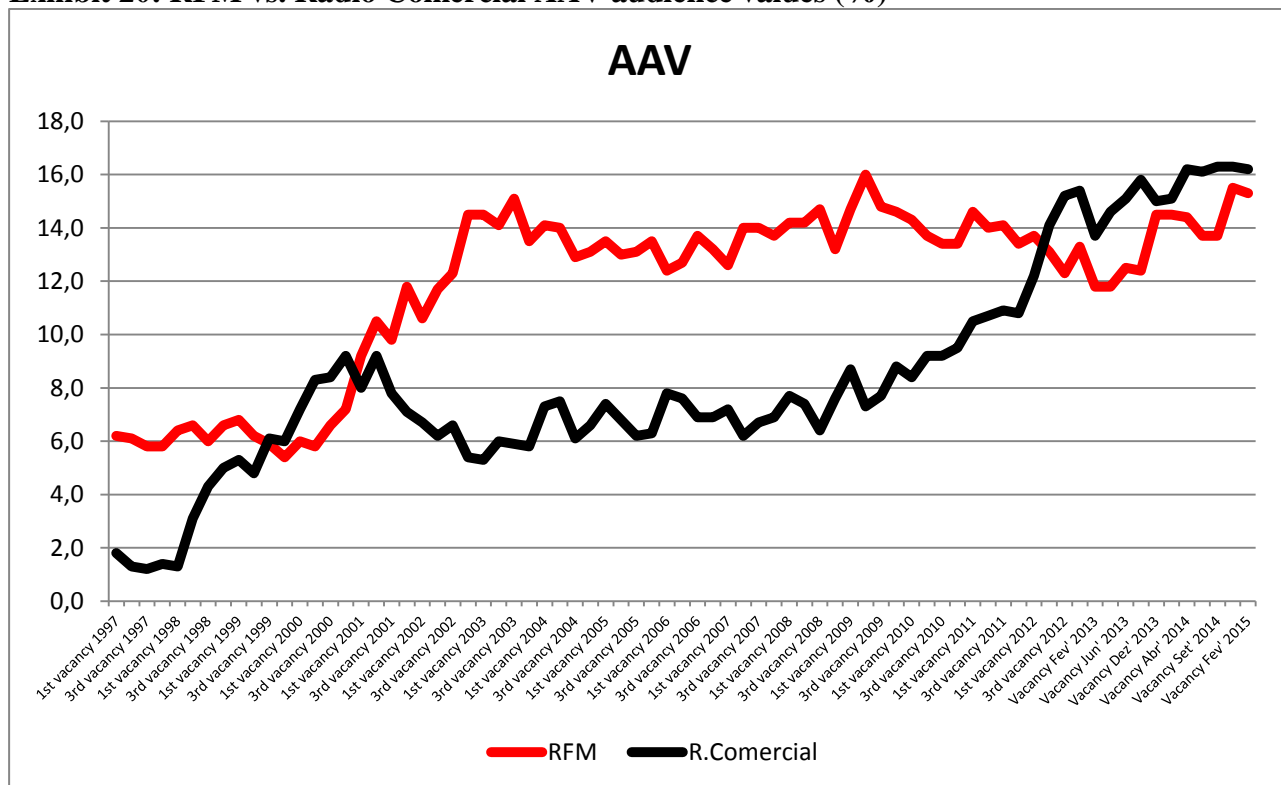
“News to see, read and listen. Radio, Webtv, Site, Smartphone, Tablet and Apps.”

Exhibit 19: RFM vs. Rádio Comercial Weekly Reach audience values (%)



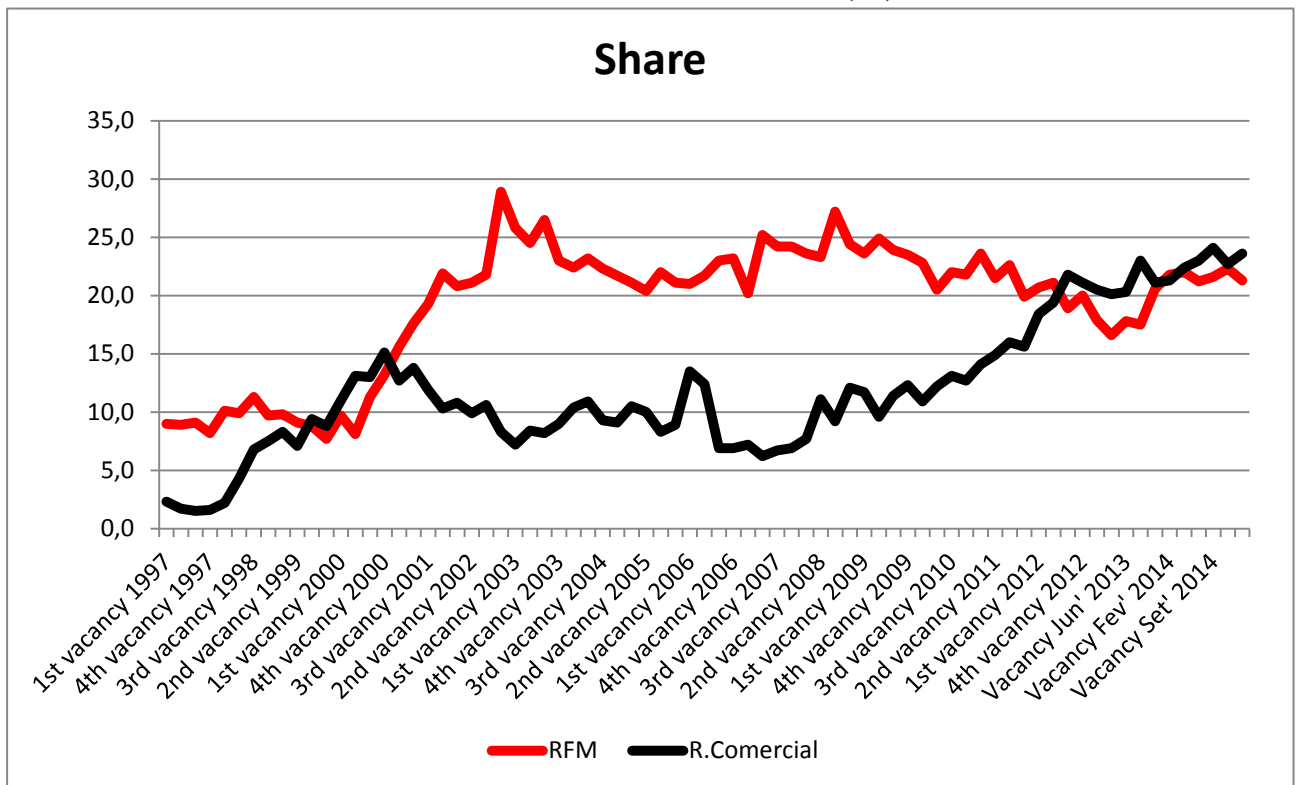
Source: r/com values from MARKTEST audience values

Exhibit 20: RFM vs. Rádio Comercial AAV audience values (%)



Source: r/com values from MARKTEST audience values

Exhibit 21: RFM vs. Rádio Comercial Share audience values (%)



Source: r/com values from MARKTEST audience values

Exhibit 22: RFM Facebook Post – Live interaction – Communicators singing



Source: RFM Facebook Page.

Exhibit 23: RFM Instagram Account – Live interaction – Communicators singing



Source: RFM Instagram Account.

Exhibit 24: Playstation 4 investment on advertising

(There is a playstation on studio to appear in all photos and videos of the radio station)



Source: RFM Facebook page

Exhibit 25: I AM HARDWELL – UNITED WE ARE WORLD TOUR



Source: r/com press release from <https://gruporcom.wordpress.com/>

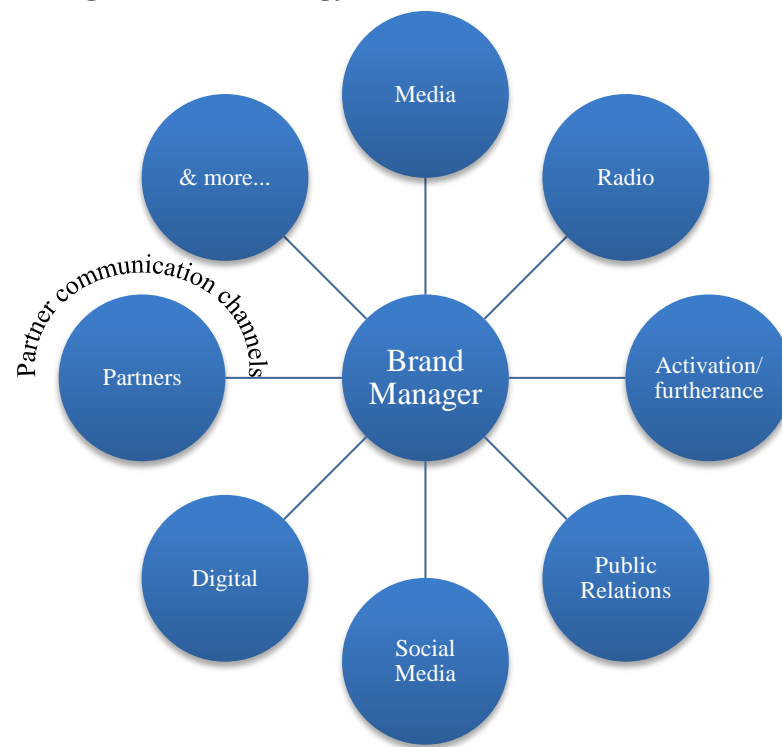
Exhibit 26: RFM SOMNII 2015 – O MAIOR SUNSET DE SEMPRE²²



Source: Renascença comunicação multimédia

²² The biggest sunset ever

Exhibit 27: Brand Managers – 360° strategy



Source: Renascença Comunicação Multimédia

Exhibit 28: RFM Marketing campaign: “The subsidy – Yes, we give”



Source: RFM

Exhibit 29: RFM Marketing campaign: “The vacations – Yes, you go”



Source: RFM

Exhibit 30: Marketing Campaign – Elogios (eulogies)



Campaign Objective: Get Rádio Renascença closer to its public thought the creation of emotional bonds with people by the radio's good mood.

Insight: Small things can make everyone's day better.

Idea: Though fake records, the communicators would eulogize people who were listening to the radio, with hidden camera and microphone's assistance.

Signature: Renascença. It's all you need to hear.

Youtube video: <https://www.youtube.com/watch?v=3J1oLpvXDRg>

2. Teaching Note

2.1 Synopsis

Employing nearly 250 workers, Renascença comunicação multimédia is a radio group company in Portugal that aims to communicate a catholic message by providing music, entertainment and information content through its four radio brands channels and platforms. Due to the digital and technologic evolution, r/com is facing a major challenge towards its competitors in order to promote its brands to the Portuguese radio public. Therefore, creativity becomes one of the keys subjects to the success of its promotion.

Through the years, r/com invested on internal or external strategies towards creative purposes depending on the company needs and goals, and now, João Lobo, Marketing Director of r/com, together with the Marketing & Communication team, challenged the group creative work in order to continue being the leading radio group in audience values. Additionally, due to a limited budget for creative purposes, it becomes crucial for the company to maximize the creative talent available for its projects.

2.2 Use of the Case

This case allows for the examination of insourcing and outsourcing strategy solutions within the Marketing & Communication division of a company, but the provided examples also agree to the exploration of these strategies towards other divisions.

This case focusses on marketing subjects such as creativity, brand awareness, brand image, brand values, marketing mix, segmentation, targeting, positioning, brand management and communication management, that can be stand out factors towards an unfavourable financial situation and a high competitive market.

R/com case will fit the undergraduate and MBA level marketing management and strategic marketing courses under the topics of creativity, brand management, communication management, insource versus outsource, creative talent maximization usage and learning process.

2.3 Teaching Objectives

This case study concerns 6 teaching objectives:

1. To have students acquire a good understanding towards the difference between a company that aims to sell a product/service and a company that aims to communicate to a specific public that is not the one paying for the service;
2. To illustrate to students the complexity of decision making process when facing the dilemma between insource and outsource strategy solutions;
3. To help students understand the importance of learning with past situations, projects or mistakes while looking to the overall experience as a learning process;
4. To highlight students about the importance of maximizing the resources and talent usage towards any relevant challenge;
5. To have students become familiar with the impact of the Marketing division in a company and its market;
6. To highlight the student on the importance of creativity towards the core business and advertising area of a company.

2.4 Literature Review

2.4.1 Intro and topics

Companies face the dilemma of investing outside or inside almost every day. Obviously, this is not a one day challenge, but every time a company or an organization wants to start a new project, or wants to do some specific work, it has to look for all possibilities, costs and resources that might be required. Occasionally, there are some missing values that were not captured by the company simply to the fact that it did not use correctly and efficiently the resources it had or because it tried to use them and ended investing much more time and money than needed.

This chapter aims to support most of the topics discussing on this thesis and to complete them by providing similar examples or some guidance tools for its explanation. The main topics debated were outsourcing and insourcing; talent seeking and creativity identity; and learning process.

2.4.2 Outsourcing and Insourcing

Nowadays, many companies face the dilemma of investing inside or outside for the most variable works and tasks on the most different areas and departments. Not just small sized companies, but worldwide known ones, such as Apple Inc. face this dilemma and change their approach towards creativity investment (Peter Burrows, 2014). Outsourcing simply means acquiring services from an external organization instead of using internal resources (Butler, 2000). There are many advantages in outsourcing, such as the ability of existing staff on achieving key strategic objectives and higher levels of performance related to the core business, gaining cost advantage over the past expenses and against competitors, providing flexibility in response to changing market conditions, and reducing investment in high technology (Kliem, 1999; Quinn, 1999). Additionally, by outsourcing, organizations can alleviate time pressure, draw from a varied base of professional expertise including technology expertise, gain additional resources, remove internal political barriers, maintain cost effectiveness, and increase staff without all of the associated costs (Elmuti, & Kathawala, 1998; Williams, 1998). The advantages in outsourcing can be operational, strategic, or both. Operational advantages usually provide for short-term trouble avoidance, while strategic advantages offer long-term contributions in maximizing opportunities. Outsourcing can cost more than doing something in-house, but offer benefits that justify it, like saving money or saving time (Chin, 2003).

Despite all these beneficial advantages that outsourcing have, investing outside also has some disadvantages, such as becoming dependent on outside suppliers for services, failing on achieving the purposed cost savings, losing the control over important functions, having to face the prospect of managing relationships that go wrong and lowering the morale of permanent employees (Kliem, 1999). Furthermore, when companies invest in an outsourcing strategy, there can be generated new associated risks, like the loss of learning customers, the loss of critical skills or developing the wrong skills, loss of cross-functional skills, and the loss of control over suppliers (Quinn & Hilmer, 1994). Facing these advantages, investing in an insourcing strategy can become a good solution and additionally bring additional benefits for the organization in the long term.

It is key for companies and organizations to understand when they should outsource and insource. One good example of a successful operational marketing outsource is the University of Virginia that was able to take advantage of increased professional staffing while getting its

needs met in the areas of corporate sponsorships, sales of radio and television rights, advertising sales such as signage and roadway billboards, and more promotions for Olympic sports (Burden & Li, 2005). Additionally, by using an outsourcing agency, they were able to avoid the State of Virginia's tough procurement regulations. Via additional business contacts, outsourcing has enabled the university to generate significantly more revenue than it would have on its (Burden & Li, 2005).

Focusing on an outsourcing investment strategy, the case of the Philippines' Animation Industry is a more creative oriented example. The main conclusions of this case were in particular, the tacitness of the more creative parts of the work limits its transferability, but tacit interactions between providers and clients, and codified instructions at "interfaces" between processes and production stages are used to overcome this limitation (Feichin Ted Tschang and Andrea Goldstein, 2010). Unlike in software, animation capability, even in advanced firms, appears to rest more on individual capability than on organizational process (Feichin Ted Tschang and Andrea Goldstein, 2010).

2.4.3 Talent seeking and Creativity Identity

Companies had always faced the difficulty of empowering and capturing the total value of its resources, most specifically, the human resources. One of the major challenges in order to become a successful company concerns the capacity to motivate workers and employees on the right direction. In terms of creative professionals (designated as creatives), relatively few studies have focused on the contradictions and complexities that they face in their professional work (Hackley and Kover 2007). One of the main reasons for that it is because it has never been clear how these people find an identity that satisfies themselves and other people on their workplace (Hackley and Kover 2007). Normally, their reputations are built on proprietorial claims of specific campaigns. Even if there were many people involved on the planning and execution of the work, it was the creative who was responsible for the creative output of the final work (Burnett 1960). Often, when there was a creative campaign or other similar work, creatives would seek an approval from peers and creative people themselves, who share the same background, knowledge and view of things, and not a creative approval from clients or account executives, which it is merely important for them to keep the job. That is why, Industry awards play an important role on creative approval since it represents an understandable evaluation and endorsement of their work (Hackley and Kover 2007).

Among the creatives, there is one specific type of people that companies fight and desire to have on their team work – the ones called “Creativity Champions”. These types of creative people are normally designated as “key inventors”, “crazy genius” or even “artists”. Compared to the average inventors, the number and the economic value of their patents tend to be around 4 times higher (Lennertz, D. 2014). This specific type of creative people is very hard to find and companies should provide all working conditions for them to be able to perform their work and give the company the best outputs possible. This should happen not just for the company to get the most of its creative work and capture all its value but also because according to one cosmopolitan an highly experienced interview, creative work, even in a field that one claims to despise, often demands a deep personal involvement (Hackley and Kover 2007). That is why, from in a managerial perspective, creative identity matters in the advertising industry.

2.4.4 Learning Process

Despite the benefits of outsourcing (Kliem, 1999; Quinn, 1999), many companies do not link the cost and the factors that impact the success of marketing outsourcing to internal marketing learning. Frequently, companies tend to outsource when facing significant intrinsic or extrinsic wild changes, such as increased competition, rapid growth, new leaderships and others. Although, outsourcing also has some disadvantages (Kliem, 1999; Quinn & Hilmer, 1994).

Companies should look for the investment in internal or external strategies has a learning process over time and not as a specific strategy for a specific moment on the company’s growth. Independently of the chosen strategy, companies have to learn and adapt to the needs at the required moment but learning from the past experience and past mistakes (Feichin Ted Tschang and Andrea Goldstein, 2010).

According to the findings in a model of animation process and its outsourcing, there are many concepts and factors that antecede the outsource strategy decision and causing or constraining outsourcing, such as: Nature of the work (in individual skills and tasks); Codification; Separable processes; Automation; Cost; Tacitness of the work (as constraint on outsourcing); Interactions over tacit work (mitigating stickiness of tacit work); and Upgrading as continuing competitive advantage (Feichin Ted Tschang and Andrea Goldstein, 2010). When looking for all these factors and adding the time line learning curve, companies will better

select the strategy that will fit the company growth phase while and will allocate better their human resources by learning with past mistakes.

2.5 Case Questions

1. How was the radio's adaptation towards the digital and technologic growth of the Portuguese media industry?

When the traditional radio equipment was introduced as a media communication channel, it aimed to communicate via sound waves towards people. Every time they wanted to listen to music or the news, they would turn on the radio. Basically, these were the two main reasons why people would listen to radio.

As the radio public needs changed, the media industry evolved and the communication channels increased, it became harder for radio channels to become noticed and so an adaptation and expansion towards the most variable platforms was needed. People would spend less time listening to the traditional radio because they had many different channels communicating towards them with the most different contents (music, entertainment, information, chat, among others).

While television and the press adapted to the new technologies by transferring its content from one platform to other, radio was innovative by developing new content and adapting it to the channel and platform used. This way radio was complementing all its communication by providing a complete service to its public. Due to this strategy, radio became able to amplify and communicate its diversified content as a multi-brand using the most variable platforms.

Nowadays, due to the digital evolution, people can choose the content they want to consume and when they want to do it. In addition, the close relationship and communication of today's radio brands, allowed these to establish and create bonds between its public and the brand itself through its associations on communicators, events, programs, campaigns, announcements, and activities. Radio brands became closer to people and are present on peoples life's, independently if they are working, driving or at home.

2. Develop the Marketing Mix of r/com radio brands (focus on the 4Ps).

Product (Service): Communication of a catholic message through music, entertainment or information contents.

Price: In terms of radio spots, there is a table pricing that can be discussed depending on the required commercial plan (number of spots, duration of spots, duration of campaign, time of spots communication, etc.).

Relative to other type of advertising, r/com allows for investment on their radio web-sites, social media, online newspaper, events, Email marketing and much more.

Place: Audio on-air (radio), Audio on-line, Activation/furtherance, Social Media, Digital, Partners and their communication channels, Email Marketing, music festivals, events and activities and more.

Promotion: In terms of auto promotion, r/com, in order to promote its radio brands, uses the same platforms and channels as “place”, and additionally, it invests in television, press and outdoors.

3. What is the importance of people, the fifth “P” of the Marketing Mix, towards the success of a service company like r/com?

Since r/com is providing a service and not a tangible product, the contact between people represents a major role on its consumption. People can only listen to radio on its multi-platform if someone is communicating, independently of the content being music, entertainment or information.

Facing the digital and technologic development and the high competition on the media industry, it became crucial to r/com to develop attractive content towards its public in order for the brands to be noticed. It was extremely important to develop special bonds between the public and those who were communicating. The same way that people decide to go to a specific doctor because they trust him/her, or go to a specific hairdresser because they like

their work, people like to listen to a specific radio station because of its content and of who is communicating²³.

Looking at r/com's background, it is visible the importance of creative people on its core business. The way r/com decided to make Mega Hits a Nacional radio by buying local radios and overcoming the challenge faced at the moment, the creative radio programs developed over time, the development of sub-companies, the re-brandings, the marketing campaigns and the adaptation towards the digital and technologic development, showed the success of these people.

In addition to the high level of creative talent required, having several brands under its umbrella, allowed creative people to face challenging and innovative work for different targets, in order to motivate their effort and their performance. This way, creative people will not fill disappointed by doing regular tasks and will fill motivated to embrace each project as it becomes different and innovative along the radio brands and through the years.

Concluding, it was extremely important to r/com to invest on its people in order to empower their talent to develop creative and innovative ideas to attract the public audience towards the radio brands and to promote them.

4. What is the impact of a good Segmentation, Targeting and Positioning on a service company like r/com that is present on a National level?

Despite being communicating to the Portuguese population on its all, a key factor towards the success of the provided service was related to the segmentation, targeting and positioning that the four radio stations developed over time. On a high competitive market like the media, it was not possible to generate content that was pleased by all the Portuguese population. As people got older over time, needs changed as well, so it was extremely important to develop content oriented for the market segments and develop a positioning that fits the consumer mind-sets. During the first years of radio activity in Portugal, there were not many radio

²³ Even if its content does not imply someone being talking, like music, there has to be someone selecting the music that will go live. This way, he or she is communicating that specific content.

brands, so people would listen to the existing ones. Over the years, the need of the development for different radio brands was visible. RFM and Rádio Comercial were a good example of new radio brands that focussed on communicating for a specific target.

Despite the increase of the number of radio brands over time and of the communication channels, r/com was able to continue as market leader by adapting its communication and generating specific content for each target.

5. Should r/com invest on an internal or external strategy solution for creative advertising purposes?

Despite all the creative talent within r/com people, they are more oriented to face the daily challenges of the radio industry and not advertising. This is due to the fact that these creative people work on the core business of the company.

In addition, the two insource strategies that r/com invested in the past were also related to the core business of the company. Intervoz was the company that took care of the main source of revenues for the radio leading group and Genius y Meios was responsible for the expansion of the r/com radio brands towards music and entertainment as well as to take advantage of the good knowledge of its workers to teach people who would like to perform radio core business tasks or similar activities.

Since most of the company creativity towards advertisement was transferred to the creative agency and due to budgeting limitations, r/com should invest on an outsourcing strategy as it has been doing for the last years. The company should organize a pitch in order to see if the actual advertising agency would be up to the challenge, or if a new agency would better answer the brand needs. In addition to this strategy, r/com should continue to invest on its design and video production teams that would continue to work every time the radio brands require a small and urgent job.

This way r/com will be able to continue focus on its core business while adapting it to the 360° brand management approach and answer each radio brand needs.

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