

**THE ROLE OF SPONSORSHIP MARKETING IN THE  
INTEGRATED MARKETING COMMUNICATION  
PROGRAMME  
WITH REFERENCE TO THE GERMAN INSURANCE  
COMPANY COSMOS DIREKT**

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## **DECLARATION**

I, the undersigned, hereby declare that the work contained in this assignment is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

## ABSTRACT

Sponsorship marketing, as part of the integrated marketing communication programme, is a relatively new field of application. There is still a lack of research in many areas of this field, especially in respect of the measurement of the effectiveness of this communication instrument. Although its roots could be traced back to ancient Greece, substantial growth and development in the field of sponsorship marketing have taken place over the past three decades. More recently the concentration of sponsored events has moved away from sports and has been divided between a number of other areas, notably art and entertainment and also charity events. With the increase in sponsorships, an increase in literary research has also been detected.

The analysis of the sponsorship strategy of a German insurance company – Cosmos Direkt – has shown that in practice many companies are still not fully exploiting the potential of their sponsorships. This became even more obvious when it was compared to the approach to sponsorships of some of South Africa's largest insurance companies. The comparison indicated that some of the insurance companies had achieved satisfaction with their sponsorship, while others were still battling to establish the right formula for success.

The inconsistency of the success of sponsorships could often be ascribed to a large number of companies being uncertain about sponsorships and reluctant to fully integrate these into their marketing strategies. Sponsorships could only be effective when they are supported by other marketing communication tools, rather than being viewed as a completely separate activity. Sponsorships should be used in synergy with the other communication instruments, so that the company may project a uniform message to its customers and the public.

## OPSOMMING

Borgskappe, as deel van 'n geïntegreerde bemarkingskommunikasie, is 'n redelike nuwe veld van aanwending. Navorsing in baie gebiede van hierdie veld is nog uitstaande, veral waar die meting van hierdie kommunikasie-instrument van belang is. Oor die afgelope drie dekades het wesenlike groei en ontwikkelinge op die gebied van borgskappe plaasgevind, alhoewel die oorsprong teruggevolg kan word tot na die antieke Grieke. Meer onlangs het die fokus van geborgde gebeurtenisse wegbeweeg van sport af en is nou meer versprei oor 'n aantal ander gebiede, byvoorbeeld kuns en vermaak, asook liefdadigheidsorganisasies. Met die toename van borgskappe het daar ook 'n toename in literêre navorsing plaasgevind.

Die analise van die borgskapstrategie deur 'n Duitse versekeringsmaatskappy – Cosmos Direkt – het aangetoon dat baie maatskappye in die praktyk nog nie die volle potensiaal van hul borgskappe benut nie. Hierdie bevinding is bevestig nadat dit met die benadering tot borgskappe van verskeie Suid-Afrikaanse versekeringsmaatskappye vergelyk is. Die vergelyking het aangetoon dat sommige versekeringsmaatskappye tevredenheid met hulle borgskappe bereik het, terwyl ander nog steeds op soek was na die regte formule vir sukses.

Die teenstrydigheid ten opsigte van die sukses van borgskappe is dikwels die gevolg van maatskappye wat onseker is oor hulle borgskappe en huiwerig is om dit ten volle met hulle bemarkingstrategieë te integreer. Borgskappe kan egter net effektief wees wanneer hulle ondersteun word deur ander bemarkingskommunikasie-instrumente, en nie as iets heeltemal afsonderliks beskou word nie. Borgskappe behoort in sinergie met die ander bemarkingskommunikasie-instrumente gebruik te word sodat 'n maatskappy 'n eenvormige boodskap aan sy klante en die publiek sal stuur.

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## **CHAPTER ONE**

### **BACKGROUND, PURPOSE AND STRUCTURE OF THE STUDY**

#### **1.1 INTRODUCTION**

Sponsorship marketing is one of the latest additions to the field of marketing communication. Corporate sponsorship of sports, arts and cultural events has increased substantially over the past decades. Despite this, there is still a lack of academic research on sponsorship as a promotional tool; especially concerning the measurement of the effectiveness and efficiency of this marketing tool.

#### **1.2 PURPOSE OF THE STUDY**

The aim of this study is to add to extant research on corporate sponsorships by examining the prevalent sponsorship marketing strategies implemented by insurance companies. A case study was made of a German insurance company – Cosmos Direkt. The marketing communication strategy of this company was analysed with special reference to its involvement in sponsorships. The sponsorship strategy was compared to that of certain South African insurance companies, as well as relevant literature research. From this comparison certain conclusions were drawn regarding the integrated marketing communication programme of Cosmos Direkt and its involvement in sponsorship. Recommendations based on the insight gained from the literature and empirical research were made to the insurance company on how it could improve its marketing activities.

#### **1.3 EXTENT OF THE STUDY**

The extent of the study ranges from a discussion of the history and development of sponsorship marketing to the application of sponsorships as a marketing communication tool by insurance companies. The study includes various definitions of sponsorship marketing and a brief overview of the typical forms of this communication instrument. The research also extends to include a case study of a German insurance company and its marketing communication and sponsorship strategies. This sponsorship strategy is compared to that of four South African insurance companies. In order to provide sufficient background information on the insurance product, as well as the German insurance market, these issues were also described in the study. The role that sponsorship marketing plays in the integrated

marketing programme and its relation to the other, more traditional marketing communication tools is also discussed in order to restrict the extent of this study. Each traditional promotional tool was briefly highlighted in order to provide a framework where sponsorships as communication instruments fit in.

The most basic description of the concept of corporate sponsorship is the financial support by companies and organisations of worthy causes, events, persons or groups of persons. This support is granted in order to achieve clear and measurable objectives through the above involvement. Financial support of worthy causes or persons could be traced back to Ancient Rome where wealthier citizens supported artists and poets. However, this support was granted without the intention of achieving commercial objectives with the involvement, but for purely altruistic reasons.

In present times this has changed. Since the early seventies companies – as part of their marketing communication strategies – have increasingly used sponsorships. Various reasons could be cited for the popularity and growth in sponsorship marketing. Changes in social dynamics, growth in consumers' spending power, increase in leisure time and activities, competitive forces in the market place, government regulations, as well as the perceived success of sponsorships by other companies, are some of the most important factors that have led to an increase in marketing communication and sponsorship marketing.

With the increase of corporate sponsorships a need arises for reliable measurement tools, so that the efficiency and effectiveness of a sponsorship involvement may be determined. In order to develop such instruments the concept of sponsorship marketing needs to be defined and restricted. This illustrates the importance of sufficient and broad research in this field of study.

## **1.4 METHOD OF INVESTIGATION**

The method of investigation could be classified according to the two categories of literature study and empirical research.

### **1.4.1 Literature study**

This thesis is based on an extensive examination of existing academic research in the field of marketing communication, and especially of sponsorship marketing. The main focus fell on

South African and German literature, and also included numerous international publications. The literature sources included books, journal articles, magazine articles, the Internet, unpublished theses and dissertations, internal publications of insurance companies and other relevant sources. It was found that not many South African literature sources were available in this field of study, especially not recent publications. Most information eventually used for the study was obtained from foreign sources.

#### **1.4.2 Empirical research**

The empirical research was conducted among both German and South African insurance companies. The insurance companies that were selected for this research were the German insurance company Cosmos Direkt, and the three South African life insurance companies, Old Mutual, Sanlam, Metropolitan Life, and the South African short-term insurance company, Santam. The empirical study consisted of interviews with marketing personnel responsible for sponsorship marketing, documents and letters.

The basis for the selection of the South African insurance companies was that the German insurance company Cosmos Direkt offers both life and short term insurance products. Its main focus, however, lies on life insurance which constitutes about eighty percent of its business. In order to draw a reasonable comparison it was deemed most appropriate to investigate three life and only one short-term South African insurance companies.

### **1.5 STRUCTURE OF THE STUDY**

The research in this thesis was set out as follows:

First it was deemed necessary to give a brief overview of the components that constitute an integrated marketing communication programme. Sponsorship marketing is one of these components and it was, therefore, briefly referred to in this regard.

In the next section sponsorship marketing was discussed in greater detail. At first various definitions of this concept were cited, after which some reflections on the characteristics of sponsorship marketing followed. The history and development of sponsorship marketing were presented, as well as the phenomenal growth of this marketing tool over the past three decades.

It was found that sponsorship marketing is better suited for reaching certain objectives than other marketing tools. The marketing objectives of sponsorships most often stated by companies and researchers were presented. After this the specific benefits offered by sponsorships, as well as limitations associated with this marketing tool, were depicted. The different types of sponsorship marketing typically employed by companies were presented with a brief discussion of each. Finally the lack of measurement tools regarding the effectiveness and efficiency of sponsorship marketing was briefly described. The section concluded with a short prognosis of future developments in the field of sponsorship marketing.

The discussion in the next section centred on the insurance industry. Recent changes in the insurance industry were highlighted. The specific characteristics of the insurance product were pointed out. The segmentation of the insurance market was presented with special emphasis on the youth market, which is often neglected by insurance companies.

The section on the insurance industry was followed by a discussion of the German insurance industry, in which the company featured in the case study operates. The composition of the German insurance industry was depicted in order to give some background information for the discussion of the case study.

The case study of Cosmos Direkt was discussed in the next section. First a description of the company was given. This was followed by a brief presentation of the history and development of Cosmos Direkt over the past fifty years into the company it is today. The special benefits that Cosmos Direkt offers its customers and which sets it apart from other insurance companies were discussed in some detail. Then the different marketing communication tools employed by Cosmos Direkt were presented. The emphasis of these tools falls on the direct communication between the company and its customers without intermediaries. Most tools contain a direct response mechanism, which makes this direct communication possible. Highlighting the sponsorship involvement of Cosmos Direkt – the Max Ophüls Festival – concluded the section on Cosmos Direkt.

In order to give the research some academic foundation it was deemed necessary to investigate the sponsorship marketing strategies of number of South African insurance companies. The companies that were selected were Old Mutual Life Insurance, Sanlam Life



Insurance, Metropolitan Life Insurance and Santam Short-term Insurance. In the summary of this section the sponsorship strategies of the four insurance companies were compared and certain conclusions were drawn.

The final two sections of this thesis were concerned with findings and conclusions of the research, as well as recommendations to the company of the case study – Cosmos Direkt. First the findings of the research of the marketing communication programme – and specifically the sponsorship - of Cosmos Direkt were presented, and conclusions were drawn from this information. Finally, recommendations were made to the company. The recommendations were based on insight gained from extant literature research on the topic of sponsorship marketing, as well as the interviews conducted with the four South African insurance companies.

## CHAPTER 2

### INTEGRATED MARKETING COMMUNICATIONS

You can paint it any color you like, as long as it's black.

Henry Ford, 1908

#### 2.1 INTRODUCTION

Marketing communication has come a long way since Henry Ford, founder of the Ford Motor Company, allegedly made the above statement in 1908. Since then a power shift has occurred in the marketplace where the power of deciding what would be produced gradually slipped away from large corporations and into the hands of consumers. The main reason for this power shift was the ever-increasing competition between companies for customers' attention and patronage, coupled with the unprecedented growth in marketing communication activities.

Today, businesses and companies utilise marketing communication tools in order to fulfil a number of purposes. These include, according to Shimp (1997: 10), informing prospective customers about their products, services, and terms of sale; persuading people to choose particular products and brands, shop in certain stores, attend certain entertainment events, and perform a variety of other behaviours; and inducing action from customers so that their behaviour is directed toward the marketer's offering and is undertaken immediately rather than delayed. Lamb, Hair and McDaniel (1998: 472) basically agree with this statement, although they argue that the third task of marketing communication is to remind the target audience, instead of inducing action.

Companies have had to become continuously more resourceful in their methods of effectively communicating with their customers. It is, therefore, not surprising that the list of marketing media and communication channels is practically endless, and new methods are constantly being discovered. Literally thousands of firms are spending millions of dollars to influence customers. These influencing efforts occur in ads, packages, product features, sales pitches, and store environments. However, they also occur in the content of many television shows, in

the products that are used in movies, and in the materials presented to children at schools (Hawkins, Best and Coney, 1998: 10).

## **2.2 CHANGES IN THE MARKETING ENVIRONMENT**

In recent years numerous changes have been observed in the marketing environment. These changes gave rise to an increase in marketing communication activities and also in the diversity of marketing communication methods and channels. Various authors identified some specific factors which were mainly responsible for these changes. These factors include that today, both domestic and global competition are becoming increasingly intense; national and international economies are volatile; advertising clutter is enormous; technological developments are stupefying; people live under increasing time constraints; the marketplace provides so many options to consumers that shoppers are intermittently confused, excited and bored; and finally, companies routinely downsize and reorganise while seeking other ways to profit from their investments (Shimp, 1997: 10).

This list of factors is extended by Kotler (1997: 3-8) who holds that the global economy, the increase in the income gap between poor and rich consumers and households, the environmental imperative and socially responsible marketing, technological advances, and the shift of power to the consumers are responsible for changes in marketing activities. Shimp (1997: 15) points to a reduced faith in mass media advertising, an increased reliance on highly targeted communication methods, greater demands imposed on marketing communications suppliers, and increased efforts to assess communication's return on investment as an explanation for changes in marketing communication practices.

In addition to these Meenaghan (1991: 5) has identified various factors which have influenced recent changes in marketing activities - and especially the dramatic growth of sponsorship marketing - by large corporations. These factors are:

- Government policies on the advertising of tobacco and alcohol
- Escalating costs of media advertising
- New opportunities because of increased leisure activity
- The proven ability of sponsorship
- Greater media coverage of sponsored events
- Inefficiencies in traditional media, i.e. clutter and zapping.

Jobbers (cited in van Heerden, 2001: 126-127) agrees with Meenaghan that these factors have contributed to the growth in marketing communication activities, and especially sponsorships.

Meech (1999: 37) added that clutter in traditional media, especially television was on the increase. However, he reasoned that clutter could become an important strategic tool if it was well managed, and integrated and supported by other marketing communication instruments. Television clutter is becoming more strategically important, more technically sophisticated and more professionally managed. Like conventional advertising the practice has one foot in marketing and the other in aesthetics. Like corporate branding it aims to communicate a cohesive message about a complex entity to diverse public. This presupposes a synergy with the range of off-air communications (Meech, 1999: 42).

The universal increase in marketing communication activity also has some negative effects. Issues of concern include, among numerous others, advertising to children, targeting minorities, unethical marketing behaviour, concerns about content of ads – for example sexism or racism – and product safety (Hawkins, Best and Coney, 1998: 692-712; Kotler, 1997: 272-273; Lamb, Hair and McDaniel, 1998: 122-139; Schiffman and Kanuk, 1997: 630-637; Shimp, 1997: 56-65).

The amount of information to which every individual is being exposed on a daily basis is also an issue of concern. Consumers are constantly being bombarded with product and company information. This often leads to information overload, which occurs when consumers are confronted with so much information that they cannot or will not attend to all of it. Instead they become frustrated and either postpone or give up the decision, make a random choice, or utilise a sub-optimal portion of the total information available (Hawkins, Best and Coney, 1998: 299). Research has shown that consumers find it especially difficult to remember advertisements for new brands where these compete in heavily advertised categories. The result of information overload is that consumers become confused and make poor purchasing decisions (Schiffman and Kanuk, 1997: 210).

The negative effects of marketing communication often give rise to discussions about the necessity of these activities. The point of contention is how much information a consumer needs so that he or she may make an educated choice without suffering from an information

overload. The form in which the information is being conveyed is also important. The responsibility to prevent negative effects of marketing communication from occurring, primarily lies with companies. They should ensure that the communication tools and media at their disposal are used responsibly and ethically without causing offence, while still achieving their objectives. In order to live up to these expectations and avoid the problems of traditional marketing communication tools, companies have to find new ways to reach consumers.

An important trend that is closely related to the rapid changes and problems in the marketplace and the companies' reaction to these has emerged during the 1990s. It is a practice that has come to be termed integrated marketing communications (IMC). Shimp (1997: 12) points out that in the past companies often used to treat the different elements of communication almost as separate activities. Companies presently operating differ from this philosophy in that they believe that the integration of all elements is essential for success.

### **2.3 DEFINITIONS OF INTEGRATED MARKETING COMMUNICATIONS**

Grönroos (2001: 265-266) states that the notion of integrated marketing communication emerged as an approach to understanding how a holistic communications message could be developed and managed and he defines integrated marketing communication as follows:

Integrated marketing communication is a strategy that integrates traditional media marketing, direct marketing, public relations and other distinct marketing communications media as well as communications aspects of the delivery and consumption of goods and services and of customer services and other customer encounters. Thus integrated marketing communication has a long-term perspective.

The other distinct marketing communications media mentioned by Grönroos (2001: 266) are explained in more detail in the following definition by Lamb, Hair and McDaniel (1998: 471): integrated marketing communication is the method of carefully co-ordinating all promotional activities - media advertising, sales promotion, personal selling, public relations, as well as direct marketing, packaging, and other forms of promotion - to produce a consistent, unified message that is customer focused.

The definitions by Grönroos (2001: 266) and by Lamb, Hair and McDaniel (1998: 471) are somewhat vague and simplified. The definition given by Shimp (1997: 12) elaborates on

some important points of the process of integrated marketing communication. According to him integrated marketing communication is the process of developing and implementing various forms of persuasive communications programmes with customers and prospects over time. The goal of integrated marketing communication is to influence or directly affect the behaviour of the selected communications audience. Integrated marketing communication considers all sources of brand or company contacts with a customer or prospect have with the product or service as potential delivery channels for future messages. Furthermore integrated marketing communication makes use of all forms of communication which are relevant to the customer and prospects, and to which they might be receptive. In sum, the integrated marketing communication process starts with the customer or prospect and then works back to determine and define the forms and methods through which persuasive communication programs should be developed.

The American Association of Advertising Agencies (cited in Kotler, 1997: 630) defines integrated marketing communication as a concept of marketing communications planning that recognises the added value of a comprehensive plan that evaluates the strategic roles of a variety of communications disciplines - for example, general advertising, direct response, sales promotion and public relations - and combines these disciplines to provide clarity, consistency, and maximum communications impact through the seamless integration of discrete messages.

Shimp (1997: 12-15) summarises the basic features of integrated marketing communication as follows:

1. ***Affect behaviour.*** The goal of integrated marketing communication is to affect the behaviour of the communications audience. This means that marketing communications need to do more than influence brand awareness or enhance consumer attitudes towards the brand.
2. ***Use all forms of contacts.*** Integrated marketing communication uses all forms of communication and all sources of brand or company contacts as potential message delivery channels.
3. ***Start with the customer or prospect.*** Another important aspect of integrated marketing communication is that its process starts with the customer or prospect and then works back

to the brand communicator in determining the most appropriate and effective methods through which persuasive communications programmes should be developed.

4. ***Achieve synergy.*** Inherent in the definition of integrated marketing communication is the need for synergy. All of the communication elements (advertising, point-of-purchase, sales promotions, events, and so on) should speak with a single voice; co-ordination is absolutely critical to achieving a strong and unified brand image and moving consumers to action.
5. ***Build relationships.*** A fifth implicit characteristic of integrated marketing communication is the belief that successful marketing communications require building a relationship between the brand and the customer.

The marketing communication of any company is a mixture of a broad spectrum of available tools. The mixture has to be adapted to the target market and specific objectives that have to be achieved, as well as financial resources available for marketing communications activities.

## **2.4 COMPOSITION OF THE MARKETING COMMUNICATION MIX**

Marketing communication refers to all the signals or messages emanating from the firm to its various public, that is customers, distributors, suppliers, shareholders and public authorities, and also its own personnel (Lambin, 2000: 620). Marketers have numerous communication tools at their disposal to achieve their specific objectives. Each of these tools has certain advantages as well as disadvantages, which should be considered when selecting the relevant marketing communication strategy. The promotional or communications mix which forms part of a company's overall marketing communication mix consists of the following components (Hawkins, Best and Coney, 1998: 19; Kotler, 1997: 623-625; Lamb, Hair and McDaniel, 1998: 461-463; Lambin, 2000: 620; Shimp, 1997: 26):

### **2.4.1 Advertising**

Advertising is any form of paid communication in which the sponsor or company is identified (Lamb, Hair and McDaniel, 1998: 461). This communication tool is a unilateral form of non-personal mass communication designed to create a favourable attitude (Lambin, 2000: 620). Advertisements are usually placed in traditional media, such as television, radio, newspapers, magazines, books, direct mail, billboards, and transit cards. Kotler (1997: 623) explains that advertising has some unique qualities. Advertising, for example, is perceived as some form of public presentation. This form of marketing communication is very persuasive because the

seller is able to repeat the same message many times. Advertising is capable of amplified expression with the help of special effects, such as colour and sound. A limitation of advertising is that it is impersonal. Consumers are thus not compelled to pay any direct attention to its message.

#### **2.4.2 Personal selling**

Personal selling is a situation in which two people communicate in an attempt to influence each other in a purchase situation (Lamb, Hair and McDaniel, 1998: 463). Personal selling as a promotional tool is especially effective at a later stage in the buying process. This tool is suitable for building up consumer preferences, conviction, and action. Compared to advertising, personal selling is capable of building and cultivating some form of relationship between the customer and the company because of this personal interaction. As a result the customer often feels obliged to respond to offers made through personal selling efforts (Kotler, 1997: 625). Firms also use personal selling to gather information on customers (Lambin, 2000: 620).

#### **2.4.3 Sales promotions**

Sales promotion consists of all marketing activities - other than personal selling, advertising, and public relations - that stimulate consumer purchasing and dealer effectiveness (Lamb, Hair and McDaniel, 1998: 463). Sales promotion tools – for example coupons or premiums – have distinct advantages. They offer a unique communication platform to the company, because they could convey specific information or rewards when they are used as incentives. Consumers often interpret coupons or premiums as invitations to act immediately (Kotler, 1997: 624-625).

#### **2.4.4 Point-of-purchase communications**

This type of communication takes place at the immediate location where the purchase decision is made. Items used for point-of-purchase communications include various types of signs, mobiles, plaques, banners, shelf talkers, mechanical mannequins, lights, mirrors, plastic reproductions of products, checkout units, full-line merchandises, wall posters, and other various materials. These objects are usually classified into permanent and temporary point-of-purchase, and in-store media (Shimp, 1997: 526-527).



#### **2.4.5 Direct marketing communications**

Direct marketing is also referred to as direct response advertising. This form of communication is an interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location (Shimp, 1997: 386). The purpose of direct marketing is to establish a direct relationship with a customer. Indirect marketing communication usually makes use of intermediaries in the channel of distribution.

Direct marketing may appear in many forms – direct mail and other media, catalogue selling, fairs and exhibitions, telemarketing, direct selling or electronic marketing (Lambin, 2000:620). All these forms offer the same benefits to marketers, for instance that the message is mostly directed to one specific person and is thus non-publicised. When the customer is addressed the message is mostly customised to his or her personal circumstances. The information conveyed in the message is up-to-date, because it is delivered immediately without delay and could thus be adapted to any short-term developments. Finally, this promotional medium is interactive. Therefore, the response is tailored to the specific customer (Kotler, 1997: 625).

#### **2.4.6 Public relations**

Public relations is the component of marketing communications that is uniquely suited to fostering goodwill between a company and its various public (Shimp, 1997: 554). This public primarily includes consumers, employees, suppliers, stockholders, governments, the general public, labour groups, and citizen action groups. The aim of this communications tool is less to sell and more to gain moral support from public opinion for the firm's economic activities (Lambin, 2000: 620).

Public relations and publicity offer unique advantages. They are in a position to reach those consumers who avoid other forms of marketing communication, such as television or magazine ads. Public relations also has the ability to dramatise the product or company, similar to advertisements. In addition to this, public relations and publicity have high credibility, because readers perceive news stories and features to be more authentic and credible than advertisements (Kotler, 1997: 625). However, in most instances, public relations form an integral part of a company's marketing communication mix, and as such press releases are planned in detail before they are issued (Lamb, Hair and McDaniel, 1998: 518-522).

### **2.4.7 Sponsorship marketing**

Sponsorships of events and issues are closely linked to public relations. Companies use these kinds of involvement for creating publicity and positive press releases. Event and issue sponsorships have the additional advantage that they create their own publicity (Lamb, Hair and McDaniel, 1998: 518-519). Sponsorships involve investments in events or causes for the purpose of achieving various corporate objectives: increasing sales volume, enhancing a company's reputation or a brand's image, increasing brand awareness and so on (Shimp, 1997: 561). Nicholls, Roslow and Dublish (1999: 365) support this view. They state that sports event sponsorship provides opportunities to companies for promotional activities, such as advertising, publicity, premiums, and selling.

The advent and phenomenal growth of sponsorship marketing in recent years may be attributed to this marketing instrument being capable of avoiding many of the problems associated with traditional media cited above. Sponsorship is an opportunity for companies to escape the mounting expense and clutter of the conventional advertising media (Nicholls, Roslow and Dublish, 1999: 365).

However, developments in the field of sponsorships during the past three decades have indicated that areas of this medium are also becoming increasingly susceptible to clutter. This applies especially to sport sponsorships, as Meenaghan already noted at the beginning of the 1990s (1991: 6). As a result corporate sponsors have sought new areas of social intrusion with which to associate themselves (Meenaghan, 1991: 6). This has led to greater diversity in the types of sponsored activities.

Despite the lack of extensive research evidence, one could assume that sponsorships are perceived as being different from traditional methods of marketing communications, and especially advertising. According to Meenaghan (1991: 9), recipients regard sponsorships as a less commercially strict medium and sponsors see this tool as a less economically authentic medium. Meenaghan (1991: 9) names several reasons for these perceptions:

1. The newness or novelty of the medium relative to other marketing tools and the consequent lack of understanding of how sponsorships, compared with advertising, actually work.

2. The ongoing confusion – by both sponsor and recipient – of sponsorship with patronage/philanthropy and other forms of corporate giving.
3. The willingness of certain sponsorship decision makers to mix both the commercial objectives of the enterprise with their own personal and leisure motivations.
4. Unlike all other methods of communication, sponsorship is perceived to be associated with leisure and other less commercially puritanical pursuits, even when used purely for commercial reasons.
5. The final and perhaps most important reason for sponsorship being regarded as less commercially valid than other methods of marketing communication, lies in the lack of empirical validation of its effectiveness.

## **2.5 SUMMARY**

The rapid changes in the marketplace from a company's point of view – especially in the area of marketing communications - has sparked many new and innovative manners and channels of reaching consumers. The factors responsible for these changes could be summarised as follows: advertising clutter; increasing globalisation; automation and computerisation; use of electronic distribution systems; the Internet and all its functions; and environmental issues and concerns. In addition to these changes in the marketplace other trends in modern society and consumer behaviour have emerged that make it necessary for companies to find new ways of communicating with their customers.

Companies have lately realised that in order to reach their target customers more effectively, they need to integrate their marketing communications instruments with one another so that one single message is sent to the customers through different channels. The tools that are available to marketers to achieve their objectives are: advertising, personal selling, sales promotions, point-of-purchase communication, direct marketing communication, public relations and sponsorships. Sponsorship marketing is one of the more novel developments in the field of marketing communication. These marketing communication tools should be employed in concert as an integrated marketing communication programme in order to reach their full potential. The instruments would be more effective when they support each other and all convey one single message to the consumer.

## CHAPTER 3

### SPONSORSHIP MARKETING

#### 3.1 INTRODUCTION

Sponsorship represents one of the most rapidly growing sectors of marketing communications activity (Meenaghan and Shipley, 1999: 328). There are various reasons for this increasing popularity. Sponsorship is a relatively cost-effective method of reaching potential customers compared to other, more traditional marketing communication (Grüsser, 1992: 23-25). This type of marketing is not as susceptible to clutter as other media and many other problems associated with traditional promotional tools. Sponsorships could, therefore, be used to counteract and circumvent many of the above problems. Meenaghan and Shipley (1999: 328) state that growth in sponsorship expenditure has been driven by factors such as corporate desire for cost effective access to target markets, technological change as manifested in media developments and an increasing event- and leisure-oriented society. However, these are only the most important reasons. Bennett (1998: 458) points out that the reasons for this phenomenon have yet to be thoroughly assessed.

Sponsorship marketing is a relatively new promotional instrument and has in many instances replaced the more altruistically orientated and individual patronage or corporate philanthropy, especially where its function and objectives are concerned (Boochs, 2000: 4-5; Bennett, 1998: 291; Neuhaus, 1999: 58). Sponsorship marketing as used in business practices is characterised by the fact that money or facilities are invested with the expectation that the sponsor would achieve defined and previously agreed upon reciprocal performances (Grüsser, 1992: 20). Sponsorship may have its origins in the patronage systems of earlier societies, but corporations regard commercial sponsorship – as it is practised today – as being similar to advertising in that sponsorship investments are made in order to fulfil particular commercial objectives (Meenaghan and Shipley, 1999: 328-329).

In recent years the use of sponsorship marketing as a communication tool has grown tremendously (Bennett, 1998: 292; Cornwell and Maignan, 1998: 1; d'Astous and Bitz, 1995: 6; Farrelly, Quester and Burton, 1997: 170; Lee, Sandler and Shani, 1997: 159; McDaniel and Mason, 1999: 484; Meenaghan, 1991: 5; Meenaghan and Shipley, 1999: 328; Shank,

1999: 367-369; Vignali, 1997: 187). Irrespective of this growth, however, there is still a lack of concrete research in this field of study. No universally accepted definition of sponsorship marketing exists, and easily applicable and comprehensive measurement methods for effectiveness and efficiency of sponsorship marketing programmes still need to be developed (Amis, Slack and Berrett, 1999: 250; Cornwell and Maignan, 1998: 1; Erdogan and Kitchen, 1998: 369; Farrelly, Quester and Burton, 1997: 170; Lee, Sandler and Shani, 1997: 161).

The figures in the following abridged table give an indication of the importance of sponsorship in the world as a marketing communication tool. Lambin (2000: 651-653) has drawn the following observations from the information in this table:

- First of all, the table clearly indicates that sponsorship is indeed a worldwide phenomenon in terms of the number of countries reporting substantial sponsorship activity.
- A closer examination of these figures indicates that six countries (Germany, Italy, UK, US, Japan and Australia) account for 70 percent of total global expenditures, a fact which is clearly associated with mature consumer economies.
- However, it is also important to note that even where sponsorship expenditure is minuscule in world terms, this medium still accounts for five or six percent of advertising expenditures in the local market, a share very close to that observed at world market level.

**TABLE 3.1**  
**WORLDWIDE SPONSORSHIP EXPENDITURE IN 1996**

<b>Continent/country</b>	<b>Sponsorship rights value in \$m</b>	<b>Continent/country as % of world sponsorship total</b>	<b>Sponsorship as % of advertising expenditure continent/country</b>
France	630	3.8	6.0
Germany	1648	9.9	7.2
UK	792	4.8	4.8
Italy	791	4.8	13.6
Others	1549	10.0	6.8
<b>EUROPE</b>	<b>5500</b>	<b>33.2</b>	<b>7.0</b>
USA	5525	33.3	5.5

Canada	375	2.3	5.3
C. and S. America	700	4.2	3.7
<b>AMERICA</b>	<b>6600</b>	<b>39.8</b>	<b>5.2</b>
South Africa	194	1.2	13.2
Others	55	0.3	3.1
<b>AFRICA</b>	<b>249</b>	<b>1.5</b>	<b>7.6</b>
Japan	2200	13.3	4.8
Others	1200	7.2	5.0
<b>ASIA</b>	<b>3400</b>	<b>20.5</b>	<b>4.8</b>
Middle East	110	0.7	4.7
Australia	650	3.9	13.8
New Zealand	58	0.3	6.6
Others	5	0.0	10.0
<b>PACIFIC</b>	<b>713</b>	<b>4.3</b>	<b>12.7</b>
<b>WORLD TOTAL</b>	<b>16572</b>	<b>100.0</b>	<b>5.7</b>

Source: Lambin (2000: 652).

### 3.2 DEFINITIONS

Despite sponsorship marketing in its modern form having been practised for at least thirty years (Deimel, 1992: 6), there is still no agreement amongst the experts as to what should be included in the definition of this communication method, and what should be included under the explicit objectives of sponsorship marketing. Drees, cited in Deimel (1992: 6), observed that when all the relevant literature on the topic of sponsorship marketing is taken into consideration, it is obvious that a distinct and universally accepted definition of this concept does not exist. Sponsorship marketing is a time- and culture-dependent phenomenon, which is constantly changing and which cannot be distinctly and conclusively described (Cavegn, 1993: 21). Nobel (cited in Cavegn, 1993: 21) points out that although many attempts at defining sponsorship marketing have been made, one cannot speak of a *unité de doctrine* in this field of study.

Olkkonen (2001: 309) also draws attention to this deficit and observes that despite commercial sponsorship being common nowadays, having more or less salient effects on different aspects of developed societies at large (e.g. sports, the arts, the public sector, the

media), academic research interest in this closely marketing-related field seems to be rather insufficient. Deimel (1992: 6) states that the first attempts at defining sponsorship marketing in literature came from the United Kingdom at the beginning of the seventies. Since then, however, neither business people active in the field of marketing communication, nor their academic counterparts, have succeeded in proposing a reasonable definition of or limit to the operational sphere of sponsorship marketing, while still including all the relevant details.

Olkkonen (2001: 310) finds that this lack of a conclusive definition could be ascribed mainly most existing studies on sponsorship having a theoretically and methodologically narrow perspective. He concludes that much of current sponsorship research is empirically driven and shows a serious lack of theory development (Olkkonen, 2001: 310).

Since the first attempt at defining sponsorship marketing almost thirty years ago numerous authors, who have contributed to this field of study, have devised their own definitions in this regard (Association of Marketers, 1997: 1; Bruhn cited in Cavegn, 1993: 21-22; Bruhn cited in Otten, 1999: 9-10; Cornwell and Maignan, 1998: 11; Drees cited in Otten, 1999: 11; Gwinner, 1997: 145; Herrmanns and Drees cited in Cavegn, 1993: 21; Herrmanns cited in Otten, 1999: 13-14; International Advertising Association cited in Neuhaus, 1999: 114; Otten, 1999: 15; Simkins cited in Cavegn, 1993: 21; Sleight, 1989: 4; Specht cited in Otten, 1999: 12). As a result of the various different viewpoints and interpretations by these authors regarding sponsorship marketing many diverse definitions of this concept have been proposed. In general many vague, ambiguous, and inconsistent interpretations are linked to the term of sponsorship marketing, because this term is understood and defined differently from the perspective of an academic to that of a practitioner (Thom cited in Neuhaus, 1999: 114).

In an attempt to end the disagreement regarding the definition of sponsorships - and their strengths and weaknesses - the International Advertising Association proposed a new definition in 1988: Commercial Sponsorship is an investment, in cash or kind for access to exploitable commercial potential associated with that activity (cited in Neuhaus, 1999: 114). However, this definition is somewhat short and vague and should be extended.

Another official definition of sponsorship marketing is the one in the Sponsorship Guidelines, developed by the Association of Marketers in South Africa (1997: 1): Sponsorship is defined

as the marketing activity whereby a sponsor contractually provides financial and/or other support to an organisation or individual in return for rights to use the sponsor's name (company, product, brand) and logo in connection with the sponsored event or activity.

In addition there are a number of definitions by authors, who have contributed to this discipline in the form of numerous books and other publications. Bruhn (cited in Cavegn, 1993: 21-22), for example, defines sponsorship marketing as follows:

Sponsorship marketing means the planning, organisation, completion and control of all activities, which are connected to providing money, facilities or services by the enterprise to persons and organisations in the sporting, cultural or social area in order to achieve marketing- and communication objectives of the enterprise.

According to Cavegn, the definition that is used most often on an international basis is the one by Simkins (cited in Cavegn, 1993: 21):

A sponsor makes a contribution in money or kind - which may or may not include services and expertise - to an activity that is in some way a leisure pursuit, either sport or within the broad definition of the arts. The sponsored activity does not form part of the main commercial function of the sponsored body (otherwise it becomes straightforward promotion, rather than sponsorship). The sponsor expects a return in terms of publicity.

This definition by Simkins is rather short, especially in defining the return that a sponsor could expect for his or her involvement. The following definition by Herrmanns (cited in Otten, 1999: 13) is more extensive:

Sponsoring is the provision of financial, facility, and service performances of an enterprise - the sponsor - to a single person, a group of persons, or an organisation or institution from the social sphere of the enterprise - the sponsorship seeker - in exchange for the guarantee of rights relating to the communicative use of persons or organisations and/or the activities of the sponsored on the basis of a contractual obligation.

Heitsmith (cited in Nicholls, Roslow and Dublisch, 1999: 365) concentrates on a different aspect of sponsorship marketing by stating that sponsorship is an opportunity for companies



to reach consumers through their 'hearts and minds', presenting sponsors with a 'back door' opportunity to promote their companies and brands.

The list of definitions for sponsorship marketing by different authors seems innumerable. There are some points contained in most definitions and these could accordingly be highlighted. A sponsorship agreement normally includes two parties - the sponsor and the sponsorship seeker. The agreement usually entails some form of assistance by the sponsor to the sponsored party in exchange for certain, predetermined actions by the sponsored entity.

From the various definitions available for sponsorship marketing it becomes evident that a sponsorship does not necessarily need to involve monetary funding by the sponsor. Companies that wish to become involved in sponsorship activities, but lack the necessary funds, may also provide support in the form of expertise, advice or simply by offering the use of facilities and office equipment. This is emphasised by Grüsser (1992: 21):

Sponsoring involves a business transaction based on reciprocity, where the sponsor supports the sponsored entity with financial resources, equipment or expert services. The intended purpose is to reach business objectives that would otherwise not be attainable or would involve great costs. The sponsored entity - a person or a group - agrees to create all the necessary conditions so that the objectives of the sponsor could be achieved.

### **3.3 CHARACTERISTICS OF SPONSORSHIP MARKETING**

Sponsorship is an important tool of marketing communication that seeks to achieve favourable publicity for a company and/or its brands within a certain target audience via the support of an activity not directly linked to the company's normal business (Bennett, 1999: 291). Deimel (1992: 7) has summarised the most important characteristics of sponsorship marketing. These are as follows:

- Sponsoring characterises a reciprocal relationship on the basis of performance and reciprocal performance
- The sponsor offers the sponsored entity money and/or other company resources (for example facilities, service, and expertise). In this case persons, groups of persons, institutions and events in the sport, cultural and socio-political areas could be sponsored.

- In response to the above, the sponsored entity provides a reciprocal performance which has been agreed upon beforehand. This performance is usually in the form of the transfer of commercial rights to the sponsor. These rights should be presented in such a form so that they would serve the direct or indirect achievement of the marketing objectives, and especially the communicative aims of the sponsor.
- Sponsorship activities involve the integrated engagement of advertisement, promotions and public relations related to the sponsored entity.

According to Sattlecker and Themel (1991: 11) one of the most prevalent misconceptions about sponsorship marketing is that it supposedly always involves large amounts of money. This may well be true for some types of sponsorships, especially in the area of sports. The reason for this misconception is mainly that the large, supra-regional events attract far more attention from media and consumers than smaller events. Thus more attention is also drawn to the cost aspect of the sponsorship agreement. As a result of this biased misinterpretation many sponsorship-seekers are put at a disadvantage from the outset, because smaller companies may be reluctant to enter into costly sponsorship agreements. Sponsorships that are concluded on a small, regional basis may, however, prove to be less expensive than the large, supra-regional events.

Sponsor seekers are confronted with another problem based on the same misconception, as Sattlecker and Themel (1991: 11) point out. This problem is that many small- and medium-sized companies believe that they cannot become involved in sponsorship activities because of budgetary constraints. It is important, however, that especially these smaller companies should become involved as sponsors, because in combination these companies employ more people than a few large single corporations. Sponsorship-seekers should also realise that it is more interesting and worthwhile for them to look for a sponsor among the small- and medium-sized companies, rather than being placed on the waiting list of a large, well-known sponsor (Sattlecker and Themel, 1991: 11).

From this discussion it follows that sponsorship marketing is indeed a dynamic field of marketing communication. The term is continuously defined and redefined by individuals and organisations working with the concept. In spite of the lack of a universally accepted definition, an increasing number of companies are integrating sponsorship marketing into their communication programmes.

At the beginning of the nineties the most prominent sponsors - for example car manufacturers and tobacco companies - received between 300 and 700 applications for sponsorships in one year (Sattlecker and Themel, 1991: 9). In most countries this number has almost certainly increased in the past decade as the employment of sponsorship marketing proved to be successful in most instances. At the beginning of the 1990s Hartwig estimated that in Germany the leading companies received between 5 000 and 10 000 sponsorship applications in a year (cited on [http://www.sponsorpartners.de/pub/archiv/jahrbuch/w\\_i\\_spon.htm](http://www.sponsorpartners.de/pub/archiv/jahrbuch/w_i_spon.htm), 08.06.2001). Most applications though elicit a negative response from companies. They most often justify their negative response with references to budget-restrictions. The true reason behind denying sponsorship support, however, often lies in sponsorship seekers providing a poor presentation of the cause for which they seek sponsorships. This includes careless presentation of often unimportant information, too little economically relevant information and lacking knowledge about the company that is being approached (Sattlecker and Themel, 1991: 9).

### **3.4 HISTORY AND DEVELOPMENT OF SPONSORSHIP MARKETING**

The practice of corporate sponsorships has only been introduced a few decades ago. However, the custom of supporting worthy persons or causes could be traced back to Ancient Rome. The original motivation behind the financial support was purely altruistic, as opposed to the commercial goals that sponsorships are intended to reach today.

#### **3.4.1 *Mäzenatentum*, patronage, corporate philanthropy or charity**

As it is practised today sponsorship marketing has its origin in the so-called *Mäzenatentum*. For two thousand years the name 'Maecenas' has been synonymous with the advancement of arts and related issues (Koster cited in Neuhaus, 1999: 55). According to Neuhaus (1999: 58) Gaius Maecenas, who lived between 74 and 8 BC, was involved in promoting art and literature in Rome - long before the great corporations of the present time discovered that their involvement in and association with the promotion of these worthwhile causes could lead to positive media attention and publicity.

Bruhn (cited in Cavegn, 1994: 24) describes corporate philanthropy as a development from the *Mäzenatentum*. The German term of *Mäzenatentum* could be translated as patronage, charity, corporate giving or charitable donations. This form of support differs from

sponsorship marketing because the donor is not interested in gaining from his or her donations or reaching any specific objectives. Rather the person or enterprise hopes to support a worthwhile cause or event in order to help it advance and grow. Corporate philanthropy differs from commercial sponsorship in that it supposedly involves donations made without any expectations of direct commercial reward (Bennett, 1998: 459). According to Cavegn (1994: 23), however, some authors doubt that donors are completely uninterested in making a personal gain by contributing money to worthy causes (Head, Thiel and Roth cited in Cavegn, 1994: 23).

In the past, many organisations in need of financial support were critical of sponsorships, as Boochs points out (2000: 4). Over the years, however, this attitude has changed, and today there are many opportunities for companies to become involved in sponsorships. Many organisations use sponsorship marketing as part of their communications mix together with classic advertising, public relations and marketing. There is, however, still some confusion regarding the difference between sponsorships and philanthropy. In general the term philanthropy refers to the silent promotion of culture and it is associated with the altruistic motives of the promoting person (Hummel cited in Busch, 1997: 33). The word "sponsor" comes from the Anglo-American language and refers to someone who donates or grants money (Boochs, 2000: 4).

While aspects of what today pass for sponsorship could be traced back to the ancient Greek and Roman civilisations, modern commercially driven sponsorship is obviously a much more recent phenomenon (Meenaghan, 1991: 5). Sponsorship may have its origins in the patronage systems of earlier societies, but corporations regard commercial sponsorship, as it is practised today, as being similar to advertising because sponsorship investments are made in order to fulfil specific commercial objectives. In effect the sponsor, in agreeing to sponsor a particular event or activity, is purchasing the rights to associate with the profile and image of the event and to exploit this association for commercial ends (Meenaghan and Shipley, 1999: 329).

### **3.4.2 The difference between patronage and sponsorship marketing**

Experts disagree whether to include patronage in the field of sponsorship marketing or classify it as a separate business strategy (d'Astous and Bitz, 1995: 7; Lee, Sandler and Shani, 1997: 161). Companies that refer to their activities as patronage instead of sponsorship, claim to follow different objectives with their involvement which are unrelated to marketing

communication goals. These activities do not, however, go unnoticed by the community or the media, and do, therefore, exert some effect on consumers' goodwill for this company. In present times - where a high degree of accountability and transparency towards owners and shareholders of a company is expected - it is unlikely that a company would invest in projects without expecting some benefits in return. There is also a more profit-oriented explanation for companies to become active as patrons, as donations are frequently driven by the tax advantages that a company hopes to gain from making these donations.

In order to illustrate the differences between sponsorship marketing, patronage and a third form of financial contribution by companies - namely charity – Bowman cited in Cavegn (1994: 24) summarises the terms as follows: Charity is giving without thought of any reward. Patronage is supporting without any commercial incentive. Sponsorship is a commercial arrangement that is beneficial to both parties.

According to the Sponsorship Report there are hybrid forms of the above-mentioned three forms. This especially applies to instances where large sums of money or complex funding are involved. In order to help both the corporate and the sponsor seeking organisation with their tasks, the Sponsorship Report has drawn up a chart to help the organisers in their tasks (<http://www.sponsorship.ca/p-issues-callit.html>, 29.09.2001).

**TABLE 3.2**

**DIFFERENCE BETWEEN SPONSORSHIP AND CHARITABLE CONTRIBUTION**

	<b>Sponsorship</b>	<b>Charitable Contribution</b>
<b>Publicity</b>	Highly public	Usually little widespread fanfare
<b>Source</b>	Typically from marketing, advertising, or communication budgets	From charitable donations or philanthropy budgets
<b>Objectives</b>	To sell more products/ services; to increase awareness in markets and amongst distant stakeholders (customers, potential customers,	To be a good corporate citizen; to enhance the corporate image of with closest stakeholders (i.e. employees, shareholders, suppliers)

	geographic community)	
	Events; teams; arts or cultural organisations, projects, programmes. A cause is sometimes associated with the undertaking.	Larger donations are typically cause-related (education, health, diseases, disasters, environmental), but could also be cultural, artistic, or sports related. At times funding is specifically designated for a project or programme; at times it is provided for operating budgets.
<b>Where most funding goes</b>	Sport receives the lion's share of sponsorship dollars- likely more than 50%	Education, social services, and health sector receive 75% of charitable donations

Source: <http://www.sponsorship.ca/p-issues-callit.html>, 29.09.2001

Cavegn (1993: 22-25) differentiates between three types of company support to worthwhile causes and events: donations or charitable contributions, philanthropy or patronage, and sponsorships. These differences are illustrated in Table 3.3:

**TABLE 3.3**  
**DIFFERENT METHODS OF CORPORATE SUPPORT**

<b>Characteristics</b>	<b>Method of Support</b>		
	<b>Philanthropy</b>	<b>Charity</b>	<b>Sponsorships</b>
<b>Type of contributor</b>	Private Persons, Funds	Private Persons, Enterprises	Enterprises
<b>Motive(s) for contribution</b>	Only advancement motives (altruistic)	Advancement motives dominant, possibly tax advantages	Advancement motives and achievement of communication aims
<b>Co-operation with the Receiver</b>	Partly	No	Yes (Sponsorship agreement)

<b>Media Effects</b>	No (rather privately)	Barely	Yes (publicly)
<b>Use in Area: Sport</b>	Very seldom	Seldom	Dominant
<b>Use in Area: Culture</b>	Dominant	Often	Seldom
<b>Use in Area: Society</b>	Often	Dominant	Very Seldom
<b>Decision-maker in Enterprise</b>	Entrepreneur	Financial Department	Board of Directors, PR, Marketing, Advertisement

Source: Bruhn cited in Cavegn (1994: 25).

According to the Sponsorship Report (<http://www.sponsorship.ca/p-issues-callit.html>, 29.09.2001) it may be important to note the difference between sponsorships, charitable contributions, and patronage or corporate philanthropy, because different objectives are reached by each of them. Each of these three activities involves different people in the organisation, which means that the application for support should be planned and executed very thoroughly. However, the planning stages and the effects on consumers by any one of these activities is similar, whether this is intended or not. It is also difficult to decide where to draw the line between what activity is sponsorship marketing, and what activity entails patronage, and what should be defined as charity. The request for a donation is vastly different from the proposal for a sponsorship relationship. The contact point is different; the goals are different; the language is different (<http://www.sponsorship.ca/p-issues-callit.html>, 29.09.2001). It is nevertheless undeniable that differentiation between these terms is becoming less obvious in the practical implementation and is thus disappearing.

The main distinction between sponsorship marketing and patronage may be summarised as follows: On the one hand sponsorship is a business relationship between a provider of funds, resources or services and an individual, event or organisation which offers in return some rights and association that may be used for commercial advantage. When a business becomes involved in patronage on the other hand no commercial advantage is sought or expected in return for the support of a patron.

### **3.5 GROWTH IN SPONSORSHIP MARKETING**

Sponsorship marketing has grown to become an equally important field in the marketing communication programmes when compared to other tools. The growth of sponsorship marketing is phenomenal (Erdogan and Kitchen, 1998: 369; Farrelly, Quester and Burton, 1997: 170; Howard and Crompton, 1995: 235; McDaniel and Mason, 1999: 482-483; Mullin, Hardy and Sutton, 1993: 205, 211; Quester and Farrelly, 1998: 539; Van der Schalk, 1993: 14). It fulfils an important role in the integrated marketing communications programme of many companies. There are various reasons for this growth of sponsorship marketing in recent years.

Sponsorship marketing in its present form has its origin at the beginning of the seventies, when especially sport sponsorships experienced some great interest from companies searching for innovative ways of promotion (Van der Schalk, 1993: 14). According to Meenaghan and Shipley (1999: 329) commercial sponsorship as a marketing activity has only developed over recent decades. The level of investment into sponsorship marketing by companies and the rate of development in this field vary between different countries. In the United Kingdom, for example, the total investment in this medium was only £ 4 million as recently as 1970 (Buckley cited in Meenaghan and Shipley, 1999: 329). However, by 1996 the scale of expenditure in the UK market had grown to £ 491 million (Mintel cited in Meenaghan and Shipley, 1999: 329).

The rate of growth of sponsorship marketing on a worldwide basis is significant. According to Sponsorship Research International 1998 (cited in Meenaghan and Shipley, 1999: 328), the worldwide sponsorship market grew from \$2 billion in 1984 to \$ 18.1 billion in 1997. This represents a growth in excess of nine-fold over these thirteen years. These estimates of sponsorship expenditures refer only to the costs of purchasing the rights to certain events, as Meenaghan and Shipley (1999: 329) point out. Effective sponsorship exploitation is of course reliant on support advertising and promotions to leverage the initial investment (Meenaghan and Shipley, 1999: 329).

The sudden growth of sponsorship marketing could be traced back to two conditions that were prevalent in society at the time. For one, the effectiveness of traditional media as marketing communication channels was decreasing because of various reasons, for example clutter and low cost-efficiency (Erdogan and Kitchen, 1998: 369; van der Schalk, 1993: 14). Howard and



Crompton (1995: 234) also refer to the rapid increase in the numbers of television channels, radio stations and magazines and the resulting clutter. They state that sponsorship was seen as an alternative means of gaining exposure that avoided this clutter and was sufficiently distinctive that the associated message was likely to be seen and heard (Howard and Crompton 1995: 234). This claim is further substantiated by Lee, Sandler and Shani (1997: 159) stating that as traditional media have become more expensive and cluttered, sponsorship is viewed as a legitimate element of a company's promotional mix. The limits of the classic communication tools like sales promotions, advertisements and public relations were reached: a differentiation and proliferation compared to other competitors was becoming increasingly difficult (Herrmanns cited in Cavegn, 1993: 20).

The second reason for this growth was that advertising restrictions were put in place on certain industries, especially the tobacco and alcoholic beverages industry. This led to an increase in expenditure by companies operating in these industries on those communication channels that were not affected by these restrictions - one of which was sport sponsorships (Meenaghan, 1991: 5). Howard and Crompton (1995: 235-236) point out that the success of sponsorships associated with the 1984 Los Angeles Olympic Games received high visibility. This helped to legitimise the use of sponsorships to help achieve corporate communication objectives.

Howard and Crompton (1995: 234-237) name additional factors that have led to the increase in sponsorship marketing. For example they refer to the escalating cost of television advertising, coupled with the reduction of conventional television's audience because of the influx of cable television (Howard and Crompton, 1995: 234-235).

Another factor that influenced the growth rate of sponsorship marketing since the seventies is that acceptance and implementation of market segmentation was not widespread until the 1970s. This practice was only accepted in later years. As a result companies were better able to reach certain target markets by sponsorships after they learned to divide their markets into meaningful segments (Howard and Crompton, 1995: 236).

According to Cavegn (1993: 20) the origin and development of sponsorship marketing – as it is practised today as a communication instrument – was a direct result of the fact that the public or private financing sources, as well as membership fees or donations in many social

spheres of sport, culture, education, science, and environment were not sufficient anymore (Rüedi cited in Cavegn, 1993: 20). The responsibility with regard to promoting and financing these and other social and especially ecological issues was assigned to the private business sector (Grüsser cited in Cavegn, 1993: 20).

Growth in sponsorship expenditure has furthermore been driven by factors such as corporate desire for cost-effective access to target markets, technological change as manifested in media developments and an increasing events and leisure-oriented society. For the corporate user sponsorship represents a highly versatile method of communication, capable of achieving a variety of objectives, largely in terms of communication effects, with a diversity of corporate publics (Meenaghan and Shipley, 1999: 328).

### **3.5.1 Sponsorship marketing in Germany**

The way in which companies spend their marketing - and especially their sponsorship marketing - budgets differs from one country to the next. This is mainly because different countries are at different stages of development in terms of employing sponsorship marketing. The utilisation of sponsorship marketing in different countries is also affected by the demographics of the population. In some countries certain types of events or causes have lost their attraction to marketers and sponsors due to over-saturation. Grüsser, for example, found that in the Federal Republic of Germany sport sponsoring has gone through an almost explosive growth. Within five years the involvement of the German economy in sports events has increased more than five times (Grüsser, 1992: 28). Sponsoring is very popular in Germany, as in many other European countries. Yet, it is still very young. Sponsoring in Germany has only begun developing away from sports marketing in the eighties (Boochs, 2000: 3-4).

In recent years a considerable growth in sponsorship marketing and its impact in the integrated marketing communication programme of companies has been observed in the German market. Thom (cited in Neuhaus 1999: 111) states that from the middle of the eighties onwards two-digit growth rates have been observed. While companies spent about DM 450 million on sponsoring in 1985: this amount had increased to DM 3 billion in 1996 (Thom cited in Neuhaus, 1999: 111). For the year 2000 this amount was predicted to be at approximately DM 4 billion, according to Thom (cited in Neuhaus, 1999: 111).

The market volume for sponsoring is still expanding, according to Boochs (2000: 5), and the majority is still spent on financing sport. In 1997 80%, or more than DM 2 billion, of the total amount of DM 3,5 billion went to sport sponsoring. Expenditures for cultural, social, or environmental sponsoring have been relatively low up until the present (Boochs, 2000: 5).

### **3.6 THE OBJECTIVES OF SPONSORSHIP MARKETING**

The discussion in the previous section indicates that sponsorship marketing is experiencing some tremendous growth. An increasing number of companies are investing in sponsorship agreements, and although the motives may sometimes vary, each company hopes to achieve a number of specific objectives by their involvement.

The diverse range of objectives that a sponsorship could address, illustrates its highly flexible nature. Sponsorship could for example be applied directly to the bottom line by generating sales, and is often designed to augment other types of marketing communication in reaching objectives such as creating brand awareness, enhance corporate and brand image, build relationships and develop goodwill in the community (Association of Marketers, 1997: 5; Cornwell and Maignan, 1998: 12; Pope, 1998: 129).

Increasing profits is probably the most basic objective of sponsorship marketing (Mullin, Hardy and Sutton, 1993: 219). Shank (1999: 382) states that nearly all organisations aim to increase their sales with the aid of sponsorships. Sponsorship marketing could, however, also be utilised to achieve a number of other objectives.

Perhaps the most important reason for sponsorship is to maintain or build a company's image (Shank, 1999: 380). The aim of the company is to exploit the image and awareness value of a certain sponsored field in terms of its communication objectives. Some authors refer to this effect as an 'image transfer' (Herrmanns cited in Cavegn, 1993: 29). Numerous other authors agree with this description (Amis, Slack and Berret, 1999: 251; Association of Marketers, 1997: 5; Cornwell and Maignan, 1998: 12; d'Astous and Bitz, 1995: 6-7; Gwinner, 1997; Lee, Sandler and Shani, 1997: 160; Mullin, Hardy and Sutton, 1993: 216, 218; Nicholls, Roslow and Dubliss, 1999: 366; Shank, 1999: 380-381; Vignali, 1997: 191-192).

In a sponsorship both the sponsor and sponsored activity become involved in a symbiotic relationship with a transfer of inherent values from the activity to the sponsor (Meenaghan

and Shipley, 1999: 332). According to Meenaghan and Shipley (1999: 332) the audience of the event learns to associate the sponsor and the event with one another, because it finds the sponsor, his name, logo and other marks threaded throughout the event. The manner in which sponsorships achieve image objectives is different from the manner in which advertising achieves this objective. Essentially sponsorship allows the sponsored brand to live in the reflection of the sponsored activity, which differs somewhat from the more direct approach offered by traditional advertising (Meenaghan and Shipley, 1999: 332).

According to Bennett (1999: 291) a substantial percentage of sponsorship aims to project the sponsor's corporate image to an audience, rather than attempting to relate a brand's unique attributes to the target groups. This is often done, because many brands today are so similar to each other that the only aspect on which these brands may effectively be distinguished from one another is by creating a distinct positive image for a brand and the company (Grüsser, 1992: 22).

This is also observed by Thom cited in Neuhaus (1999: 111) Many products and services of companies operating in the same branch do not reflect any marked differences in quality and could only be distinguished from their competitors by their different marketing activities. Thom (cited in Neuhaus, 1999: 111) continues that one of the main reasons for the advent and considerable growth of sponsorship marketing may be attributed to the fact that much of the traditional media has lost its stimulating abilities and suffers from clutter. Therefore, companies seek different ways in which they would be able to reach their target market effectively and efficiently (Amis, Slack and Berret, 1999: 255).

Another objective that companies hope to reach through sponsorship activities is creating brand or company name awareness. One of the most basic objectives of any sponsor is to generate awareness or raise levels of awareness of its products and services, product lines, or corporate name (Shank, 1999: 372).

Certain events or causes may be matched with a certain type of consumer according to his or her demographics, lifestyle or psychographics (Nicholls, Roslow and Dubliss, 1999: 367). By sponsoring an event or cause, the company can practice marketing communication that is targeted to a specific market segment. Sponsorship marketing is thus often cheaper and more cost-effective than other communication instruments in reaching a specific audience

(Herrmanns cited in Cavegn, 1993: 29). Other authors (Association of Marketers, 1997: 5; Mullin, Hardy and Sutton, 1993: 211, 219-220; Shank, 1999: 374-375) also observe that reaching a specific target market is a primary objective of sponsorship marketing.

By sponsoring an event the company hopes to exploit the situation in which the consumer is exposed to the marketing communication activity as a non-commercial situation. The consumer is presumed to be in a relaxed state, enjoying the activity he or she is watching, and in an overall positive frame of mind. This mood of the consumer is then transferred to the company and its products (Herrmanns cited in Cavegn, 1993: 29).

Grüsser (1992: 22-23) agrees that sponsorships could reach members of different target groups in a non-commercialised environment. Sponsorships have the additional advantage that they do not suffer from clutter as many other, more traditional marketing media do. Therefore, sponsorships may circumvent the problem of competing for attention with the marketing communication of other companies.

Information overload among consumers is another problem that conventional media present, and which sponsorships could solve. Other problems that marketers increasingly experience with messages placed in traditional media may also be addressed by sponsorships. These problems include rising prices, decreasing audience because of increasing specialisation of media, and clutter. Marketers expect to circumvent many of these problems associated with the conventional media by employing sponsorship marketing as a communication tool (Herrmanns cited in Cavegn, 1993: 29).

Companies that enter into exclusive sponsorship arrangements in the sport or cultural areas hope to gain advantages over their competitors. Another primary objective of sponsorship is to stamp out or counter any competitive threat (Shank, 1999: 373). Companies hope to achieve this by using specific forms of sponsorships and giving these a special quality. Amis, Slack and Berret agree that sponsorships are useful as a differentiation between competitors (1999: 255). Meenaghan (1995: 26) offers the tight global competition between Pepsi and Coca Cola as an example to illustrate how a company could use its sponsorship involvement in correlation with other marketing communication tools to create a specific image and thereby setting itself apart from its competition. As a brand Pepsi is regarded as having achieved associations of entertainment, freshness and youth by means of its approach towards

sponsorship, endorsement, youth lifestyle and entertainment. Observation of recent advertising and sponsorship programmes on behalf of Coca-Cola suggests that it is eager to contest the 'ownership of this turf'. However, Pepsi is confident that it will not be superseded by Coca Cola (Meenaghan, 1995: 26). Companies employing sponsorship marketing should, however, be aware of ambush marketing practices, whereby competitors attempt to make inroads on their exclusive rights to an event (Herrmanns cited in Cavegn, 1993: 29).

Sponsorship marketing is relatively inexpensive compared to other communication instruments (Grüsser, 1992: 23; Herrmanns cited in Cavegn, 1993: 29-30). This becomes evident when the costs of the sponsorship are compared to the number of consumers reached, often at multiple occasions and through different communication channels. When the relationship between costs and reach, and costs and frequency of reach, is compared to the same figures of other, traditional promotion tools, it becomes apparent that sponsorship marketing in general achieves better results.

Grüsser (1992: 23) states that companies prefer sponsorships to traditional marketing communication channels because sponsorships are generally less expensive than buying space or time in traditional media. This situation is changing, however, as sponsorships are becoming increasingly expensive.

With an increase in the level of prosperity, many people have started taking an interest in their social and cultural environment. Today, many companies feel compelled to show their involvement in the upliftment and support of society at large, for example through giving financial support to worthwhile social or cultural events or causes. Mullin, Hardy and Sutton (1993: 217) also point to the importance of involving the company in the community. This change in values among many members of the target group may be seen as another motive for companies to take up sponsorship marketing in the form of cultural sponsorships (Erdogan and Kitchen, 1998: 370; Grüsser 1992: 25).

Most products offered to consumers today have some symbolic or cultural value attached to them, according to which consumers select the products they wish to purchase or own (Grüsser, 1992: 27). These cultural and symbolic associations with products create ideal conditions for sponsorship by the companies that produce the products.

The use of sponsorship marketing for relationship building is another objective of sponsorship marketing (Association of Marketers, 1997: 5; Mullin, Hardy and Sutton, 1993: 217-218; Nicholls, Roslow and Dublisch 1999: 367; Shank, 1999: 380). Corporate hospitality managers see to it that sponsors are given ample space to 'wine and dine' current or perspective clients.

### **3.7 THE BENEFITS OF SPONSORSHIP MARKETING**

Apart from the explicit objectives that sponsorships are supposed to reach, there are also other benefits that this marketing tool offer to companies. According to the Association of Marketers (1997: 2) the long term benefits and rewards that flow from a committed, well managed approach to sponsorship are vast and multi-faceted, both in business and society. These benefits are unique to sponsorship. The Association identified a number of benefits that are associated with sponsorships (1997: 2) and these are dealt with below:

#### **3.7.1 Flexibility**

This means that sponsorships allow for niche marketing so that companies are able to select the event or cause they wish to sponsor according to the demographics and psychographics of the target market. The sponsored activity could also be chosen according to a certain time or location (Association of Marketers, 1997: 2).

#### **3.7.2 Brand equity**

Sponsorships have the ability to expand, reinforce and even alter brand personality traits through association with the qualities of a certain event. Brand loyalty could thus be generated, as well as long-term corporate awareness. Sponsorship accrues over time, increasing its effectiveness and improving the return on investment. When fully integrated and leveraged, events build brand equity (Association of Marketers, 1997: 2).

#### **3.7.3 Media exposure**

Compared to other forms of marketing communication, sponsorship is the only form that does not have to compete against the promotional clutter of other companies. Sponsorship marketing can extend the value of advertisement campaigns, because sponsorships have the capability of creating a dynamic, interactive environment that makes the key messages of the other media employed in the campaign more persuasive and relevant (Association of Marketers, 1997: 2).

By becoming involved in sponsorship marketing, companies may obtain more favourable coverage and brand awareness than that offered by classic advertising. This means that a marketer could achieve certain objectives with less financial input (Association of Marketers, 1997: 2; Erdogan and Kitchen, 1998: 370).

The morale of the staff of a company could be greatly improved by sponsorships, and it could also affect the quality and quantity of future job applications. This is because employees identify themselves with the image of a company and its activities. If the activities of a company fit the employees' self-image and interests, it will have a positive effect on the motivation and team spirit of the employees (Association of Marketers, 1997: 2; Cornwell and Maignan, 1998: 12).

By establishing a good corporate image and reputation through corporate hospitality, a company is able to improve its relations with both government and other influential people on a local and national, and sometimes even international level. This access to important people would otherwise only be gained with considerable difficulty (Association of Marketers, 1997: 2).

Sponsorship has the ability to reach many people across a broad spectrum of backgrounds and interests. Sponsorship is global, and it crosses all barriers of bureaucracy, national prejudice and languages (Association of Marketers, 1997: 2). As a new marketing tool sponsorships also present great challenges to companies and their marketing teams (Association of Marketers, 1997: 2).

Sponsorships could have a direct impact on sales performance. The greatest benefit of sponsorship marketing, however, lies in forging a long-term relationship with the sponsored entity and the whole community (Association of Marketers 1997: 3, Cornwell and Maignan, 1998: 12).

### **3.8 THE LIMITATIONS OF SPONSORSHIP MARKETING**

There are certain limiting factors of which a company should be aware when considering whether or not to enter into a sponsorship agreement. If any of the factors discussed below are prevalent in the organisation, a sponsorship agreement should not be entered into, because



experience has shown that these factors may lead to the sponsorship failing to reach its objectives Cavegn (1993: 31).

Before the company agrees to become a sponsor, it should ensure that it has sufficient resources for a long-term partnership. In order to be successful and achieve the most important objectives of image transfer and positive association between the partners, the sponsorship agreement should cover a comparatively long period of time. If the company is not able to afford a long-term investment of this sort, it should rather look at more traditional media to convey its message (Association of Marketers, 1997: 3; Cavegn, 1993: 31,).

To be effective, sponsorship marketing always needs to be integrated into the complete marketing communication programme of a company. Sponsorship marketing on its own will not achieve nearly as good results as when it is integrated into the programme and supported by other media (Cavegn, 1993: 31; Erdogan and Kitchen, 1998: 373).

A sponsorship programme would only achieve its full potential if it is supported by the other, classic communication media, such as television and magazines. If this support is lacking or uncoordinated the potential reach of the sponsorship will be under-exploited and may well lead to a loss of audience. This means that fewer consumers will be aware of the involvement of a company as sponsor of a certain event or cause. The traditional marketing media should be used as 'vehicle' for the sponsorship message so that a broad spectrum of consumers is reached, especially those who are not immediately involved with the sponsored project (Cavegn, 1993: 31).

The corporate identity of a company is very important. Some sponsors, however, pay insufficient attention to the corporate identity of their company. As a result the message sent by the sponsorship does not match the overall image that the company wishes to transmit to the public. It is essential that companies realise the importance of an integrated marketing communication programme. All messages sent through the various media channels have to 'speak with one voice' and build a coherent corporate image of the company in the minds of the consumers (Cavegn, 1993: 31).

If there is no perceivable match between the company, its products and the sponsored event or cause, a positive association cannot develop and the desired image of the event will not be

transferred to the company and its products. Consequently the sponsorship would be less successful than it could be if a good match existed between all three parties involved (Cavegn, 1993: 31; d'Astous and Bitz, 1995: 9; Ferrand and Pages, 1999: 391; Pope, 1998: 132).

Some companies commit the error of expecting too much from their sponsorship projects. Sponsors should realise that the primary objective that sponsorships could achieve is the improvement of their corporate image, although other objectives are also attainable by this marketing tool (Cavegn, 1993: 31).

Before entering into a sponsorship agreement the company should do some background research on the prospective partner in order to determine what its image is among consumers. If the integrity of the prospective partner is questionable or controversial, it stands to reason that the company should not enter into a partnership agreement as this undesirable image could well be transferred to the sponsor (Cavegn, 1993: 31)

One major problem that many sponsors face is that of ambush marketing. Ambush marketing gives the appearance of an official association with an event when no such contracted or official association actually exists (Schlossberg, 1996: 29). Numerous authors have cited this problem. The Association of Marketers (1997: 3) defines ambush marketing as follows: The attempt of an organisation to create the impression of being an official sponsor of the event or activity by affiliating itself with that event without having paid the sponsorship rights-fee or being a party to the sponsorship contract. Companies entering into sponsorship agreements should be aware of this problem. Certain clauses should be included in the sponsorship contract so that the company does not become a victim of ambush marketing.

### **3.9 TYPICAL TYPES OF SPONSORSHIP MARKETING**

There are various kinds of sponsorship marketing. The type of sponsorship in which a company becomes involved depends on a number of variables. The sponsor should ensure that there is a satisfactory match between the sponsoring company and its products, the sponsored event and the audience. If all these three factors match, the probability of success of the sponsorship will be much higher than in the event of a poor match.

Organisers of numerous events apply at companies for support. Companies could, therefore, choose from these events and activities and decide which type of sponsorship would most

effectively meet their needs. It should constantly be borne in mind that the objectives and there are marked differences between the target markets of sporting, cultural, environmental and social sponsoring (Grüsser, 1992: 21). Sponsoring is used mainly for image positioning. However, sponsors could only expect this image to change and improve after a substantial period of time has elapsed. Then the sponsorship is in a position to exert a substantially positive influence on the sales targets (Grüsser 1992: 21). In the following sections the most important and popular types of sponsorship marketing are discussed.

### **3.9.1 Sport sponsorship marketing**

According to Cavegn (1994: 26) sport sponsorship as a planned marketing communication tool was first used in golf and tennis tournaments in the seventies. Sport sponsorships continue to involve the greatest percentage of all sponsorship expenses. This is the dominant type of sponsorship as most sponsorship activities are still concentrated in the area of sport (Bennett, 1999: 291; Howard and Crompton, 1995: 228; Mullin, Hardy and Sutton, 1985: 211-213; Schlossberg, 1996: 13; Shank, 1999: 368; Vignali, 1997: 187). There are various reasons for the popularity of sport events as a sponsorship medium. Sport events, for example, usually have great numbers of spectators and receive considerable coverage by other media, such as television and newspapers. This increases the number of possible secondary exposures of each consumer to the sponsorship message of the company. The likelihood that a spectator will be exposed to the message more than once increases even further, because he or she will more likely than not voluntarily seek further information on the event.

Herrmanns (cited in Cavegn, 1993: 26) observes that because mostly large groups of spectators are targeted, sponsors select those types of sports which are easy to understand and easy to follow, for example rugby or soccer. Ideally, these events should be broadcast on television and should be dispersed on a worldwide basis so that a leading sports figure could be selected and marketed. The levels at which most companies become active as sponsors in the field of sports are basically classified according to three dimensions: sport types, the level of performance of the sport – i.e. amateur or professional level, and organisational dimensions (Drees cited in Cavegn, 1993: 26).

Sport sponsorships are losing some of their attractiveness for companies. Thom (cited in Neuhaus, 1999: 111-112) points out that in Germany the area of sport sponsorship seems to have reached saturation. Instead, it is predicted that the field of art will show much potential

for future sponsors. The areas of social and environmental sponsoring are also only in their initial growth phase.

One factor that has contributed to sport sponsoring becoming less attractive in recent years, is that it is becoming more expensive for companies to be associated with the event or cause (Grüsser, 1992: 23). Another factor that leads to sport sponsorships becoming less desirable is the increasing number of companies that are becoming involved in sport sponsorships. This leads to some form of clutter, which makes it increasingly difficult for spectators - the target market and prospective consumers - to distinguish between different sponsoring companies (Grüsser, 1992: 23).

### **3.9.2 Cultural sponsorship marketing**

Sponsorship of cultural events has its origins in the classic philanthropy and also in sport sponsorships, after problems had occurred in sport sponsorships with regard to growth and proliferation (Bondt cited in Cavegn, 1993: 26). The main benefit of sponsorships of cultural causes allows the sponsor to demonstrate his or her social and cultural responsibility.

Cultural sponsorship is defined by Roth (cited in Cavegn, 1993: 26) as providing money, facilities, know-how and organisational skills to artists and cultural institutions in order to achieve a performance in return that is relevant or ideal for business. The areas in which cultural sponsorships may be found are extensive, and they include fine arts, music, film, literature, architecture, and many others.

In comparison with sport sponsorships it becomes evident that cultural sponsorships entail lesser risk and are also considerably less expensive. The difference between these two types of sponsorship marketing is also the kind and extent of the communicative utilisation of the sponsored event (Herrmanns cited in Cavegn, 1993: 27).

According to Grüsser (1992: 21) cultural sponsorship is different from the much more widely spread sport sponsorships because it offers the sponsor the opportunity to reach a higher positioned target group and the so-called opinion leaders. Grüsser (1992: 21) furthermore states that cultural sponsorship is aimed only to a lesser degree at increasing company- and brand recognition. This type of sponsorship is primarily concerned with stabilising or adapting the existing image of the sponsor.

The sponsorship of cultural events is nothing new. The origin of this type of sponsorship is found in the ancient times of Gaius Clinius Maecenas (70 – 8 BC) (Sattlecker and Themel, 1991: 10). The main difference between the support of culture and art by Maecenas compared to the support by companies of today is that in present times the motives are not purely altruistic. In most cases certain economic objectives have to be reached by the cultural sponsorship.

### **3.9.3 Music sponsorship marketing**

Music sponsorship could be seen as part of cultural sponsorship. In recent years, however, the degree of music sponsorships has increased at such a high rate that this special form of cultural sponsorship warrants a separate discussion. The increase in sponsorships of musical events began with the world tours of the Rolling Stones in 1981, and Tina Turner and Michael Jackson at the end of the eighties, where vast sums of money were involved, as Grüsser (1992: 24) points out. For example, Michael Jackson signed a DM 10 million contract with Pepsi-Cola for his world tour (Grüsser, 1992: 25). Today, most music events rely on sponsorship, without which they could not take place at all.

### **3.9.4 Arts sponsorship marketing**

One of the areas that is increasingly opening up to sponsorship marketing is the field of arts, although the basic form of art sponsorship is nothing new. Arts sponsoring has a long tradition. The private form of arts sponsoring can again be traced back to Gaius Clinius Maecenas (70 – 8 BC). He mainly sponsored the poets Horatius, Virgil and Propitius and thus made the creation of great and famous works of the world literature possible (Sattlecker and Themel, 1991: 10).

Over the years the financial support for arts institutions or events has not increased substantially. According to Sattlecker and Themel (1991: 11) the companies that offer the strongest support still remain the same: banks, insurance companies, and international organisations. The authors state that smaller companies have to become involved in art sponsorships if there is to be any considerable improvement in this area. At the same time arts sponsorships are usually one of the less expensive options for companies seeking an event to which it would want to become associated.

### **3.9.5 Environmental sponsorship marketing**

Environmental sponsorship marketing is also known as ecology or societal sponsorship marketing. Environmental sponsorships are mainly concerned with supporting activities that improve the quality of the environment in which consumers live. This includes giving financial support in order to save certain species of animals from extinction or parts of lands and forests.

Environmental sponsorship marketing is a rather young field of sponsorship marketing, as this topic has only enjoyed increasing attention in recent years (Zillessen and Rahmel, 1991: 19). Grüsser (1992: 31) points out that environmental sponsoring, which has been employed by only few companies, will probably increase in the following years due to growing concerns for the environment. The most common form of financial support by companies is not direct donations to one organisation or event, but rather some indirect support in the form of prize moneys and awards to research projects and exemplifying behaviour which were undertaken in order to improve the state of the environment.

There are certain problems that are peculiar to the specialised field of environmental sponsorship marketing, which are absent in other fields of sponsorship marketing (Zillessen and Rahmel, 1991: 29-30). The topic of sponsorship marketing is very sensitive and the public opinion towards these activities by organisations is unpredictable. The environment is a topic that provokes emotional reactions amongst most people which is the main reason for the sensitivity and care that companies take that are interested in sponsorships in this field.

Environmental sponsorship is a very challenging endeavour for companies. On the one hand environmental organisations have high expectations of their relations with the sponsoring company. On the other hand the media and society exert a great deal of pressure on the company in order to prevent exploitation of the environmental organisation or event that is being sponsored (Zillessen and Rahmel, 1991: 29).

Another problem that companies which become involved in environmental sponsorship may experience is that the organisational structure of some environmental organisations may be complicated. This may frequently mean that there is no specific person or division responsible for liaising with sponsors. This may lead to confusion and frustration on both sides, which in

turn may cause a premature end to the sponsorship agreement (Zillessen and Rahmel, 1991: 29-30).

One final problem to which Zillessen and Rahmel (1991: 30) draw attention is that the media follow environmental sponsorship very critically. Especially in Germany many consumers still believe that companies use sponsorship marketing in order to improve their image and hide other problems and less noble activities. Gradually, however, this negative sentiment of society towards environmental sponsorship is changing, because the majority has realised that even the most idealised objectives may need financial support (Zillessen and Rahmel, 1991: 30).

According to Zillessen and Rahmel (1991: 59-60) environmental sponsorship marketing is a relatively inexpensive alternative by means of which companies may reach their marketing communication objectives. The actual amount of investment is dependent on the extent of the marketing activities that are combined with the sponsorship. An environmental sponsorship agreement could cost a company anything from R 10 000 to several million Rand.

### **3.9.6 Social sponsorship marketing**

Social or welfare sponsoring is the youngest form of sponsorship marketing (Grüsser, 1992: 32; Busch, 1997: 42). According to Philipp cited in Busch (1997: 42) the main reason for companies' increasing interest in social sponsorship is that social institutions are searching for new sources of finance. The traditional financing sources - mainly governmental institutions - are experiencing financial problems.

In view of this new situation in which social or welfare institutions will receive less financial support from governmental organisations than before new sources need to be tapped. Philipp (cited in Busch 1997: 44) states that at least some part of the financial support will emanate from the business sector in the form of sponsorship agreements. According to Philipp social sponsoring is not long-term financing, but is limited to the project-related activities of two different institutions that need to fit together (cited in Busch 1997: 48).

### **3.9.7 Online sponsorship marketing**

The most recent type of sponsorship marketing that has developed is online sponsorship. This type of sponsorship marketing has come into existence only with the advent of information

technology, such as the Internet and all its related functions. It is called online sponsorship because it is related to the fields of online business and e-commerce. Because online sponsorship is relatively new there are not many published sources on this topic and not much research has been conducted on this topic..

Despite the lack of research this medium is quickly gaining popularity. Since the beginning of the year 2000 approximately 40% of all online-marketing communication went into sponsorship (<http://www.sponsorpartners.de/pub/archiv/horizont/onlinesponsoring.htm>, 08.06.2001). This proves that marketers are confident that the new electronic media will in future gain in importance.

Marketers have discovered the new technologies as a medium for sponsorship marketing in view of the increasing popularity, especially among private consumers. Online sponsorship basically entails the sponsorship of a website by a third party. This third party provides financial funding for the operation of the website. In return for this performance the name and logo of the sponsoring party are displayed on the website with an indication that this company is a sponsor of the website.

### **3.10 EFFICIENCY, EFFECTIVENESS AND MEASUREMENT OF SPONSORSHIPS**

Sponsorship marketing is a communication tool employed by companies with the intention of reaching certain objectives. Sponsorship entails providing financial resources, expertise and/or facilities to a certain event or organisation. This support does not need to be expensive, but sometimes large amounts of money are involved. Therefore, it is necessary that a company acting as a sponsor must be certain that the partnership fulfils the objectives in a more efficient and effective way than other marketing communication instruments are able to do. This means that extensive planning should precede the actual sponsorship proposal and agreement, and clear and quantifiable objectives should be set.

Numerous examples of sponsorship projects come to mind, which have led both to successes as well as to failures. To determine what makes a sponsorship project successful, some research has been conducted. However, Deimel (1992: 1) observes that although some companies spend enormous amounts of money on sponsorship agreements, only comparatively little is known about the actual effects and effectiveness of this relatively new



communication method. Hitherto there are no operational criteria which allow a commercial cost-results-analysis of the effects of cultural sponsoring, nor is there any academically approved research method which demonstrates or proves a direct relationship between sponsoring and a change in the image of a company or brand (Grüsser, 1992: 21-22).

The number of proposals by sponsorship seekers is increasing steadily. According to Boochs (2000: 135) some of the bigger corporations receive more than 50 of these proposals in one month. This illustrates how important it is for a company to plan its sponsorship activities meticulously.

Certain authors (Boochs, 2000: 135-153; Philip cited in Busch, 1997: 47-48) have developed measurement instruments according to which the sponsor may plan his or her sponsorship arrangement so that this could be executed professionally. Such sponsoring plans serve the sponsor in analysing the description of the situation, objectives, target market, strategies, measurements and effects, so that the sponsor could arrive at an informed decision whether or not to become involved in a specific event.

During the last few years the research in this field of marketing has increased and, therefore, also in the area of measuring the effectiveness and efficiency of sponsorship marketing. Literature on this topic is becoming increasingly more available and especially on the Internet sites dedicated to the topic of measurement are increasingly found. As a result some tools and methods have been developed which may be utilised in order to obtain an indication of the effectiveness of the relevant sponsorship (<http://www.delahayemedialink.com/spm.cfm>, 19.01.2001; <http://www.emnid.tnsolfres.com/index1.html>, 19.01.2002; [http://www.sponsorship.com/products/004\\_product\\_primertoc.asp](http://www.sponsorship.com/products/004_product_primertoc.asp), 19.01.2002).

### **3.11 THE FUTURE OF SPONSORSHIP MARKETING**

From the above discussion one may conclude that sponsorship marketing is playing an increasingly important role in the integrated marketing communication programmes of companies. However, as Deimel (1992: 387) points out it is also apparent that research on the effects of sponsorship marketing is an area in marketing research that has been largely neglected up until now.

Research in this field has increased in recent years, but is still mainly concerned with separate aspects of the marketing effects of sponsorship marketing. Deimel (1992: 387) refers to the research that Erdtmann has conducted, which was concerned with the theoretical research of the conditioning processes of sponsorship marketing, and also the research conducted by Drees and Lichtenauer.

Deimel (1992: 387) found that only a few empirical, mostly descriptive studies on the effectiveness of sponsorship marketing have been published to the present. There is still a lack of extensive empirical analyses concerned with marketing effects, but Deimel (1992) attempted to remedy this situation by conducting a study, which included both a theoretical and an empirical part and drew up an effects-analysis that included and compared the different forms of sponsorship marketing.

The current trend of sponsorship marketing indicates that it is likely to continue to increase in future. Research conducted in Germany in the year 2000 on the future trends and developments of sponsorship marketing has shown that sponsoring on its own has become an important communication tool among German companies. The study comprised a questionnaire sent to the 2,500 most profitable companies in Germany. The results of the study revealed that two thirds of those companies that responded, use sponsorship marketing as a communication tool. Sponsoring takes up about 15% of the total communication budget of these companies (Herrmanns cited on <http://www.sponsorpartners.de/pub/archiv/pressemitteilungen/presse.html>, 29.09.2001).

As a result of this greater importance of sponsorships the planning, implementation and control of sponsorships have become more professional. This applies especially to the integrated employment of sponsorships into the framework of all marketing communication instruments. The study also showed that three quarters of all companies questioned, expected that the importance of sponsorship marketing would further increase in future. The highest growth-rate in sponsorship marketing is expected to take place in the areas of Internet or online sponsorships and sport sponsorships (<http://www.sponsorpartners.de/pub/archiv/pressemitteilungen/presse.html>, 29.09.2001).

The key findings of the research showed that sponsorships had the following benefits:

- It could be used as the guideline instrument for the entire marketing communication effort;
- It could be used for communicating with a specific target market;
- It could be used for international marketing; and
- It could be used in preparing for becoming listed on the stock market

(<http://www.sponsorpartners.de/pub/archiv/pressemitteilungen/presse.html>, 29.09.2001).

Sponsorship marketing has become more professional in Germany over the last two years. The research found that since 1998 - when this research was first conducted - only approximately 30 % of sponsors had a written plan for their sponsorship involvement. Two years later this figure had increased to about 70 % of responding companies. Ninety percent of the companies consider sponsoring part of the total corporate marketing communication. It is increasingly becoming co-ordinated with more traditional marketing tools (<http://www.sponsorpartners.de/pub/archiv/pressemitteilungen/presse.html>, 29.09.2001).

The research conducted by Herrmanns (2000) was conducted in Germany. However, the results could also be applied to other countries at a similar level of development in terms of the application of sponsorship marketing.

## CHAPTER 4

### THE INSURANCE INDUSTRY

#### 4.1 INTRODUCTION

Benjamin Franklin described the philosophy behind insurance to be one 'whereby every man might help another without any disservice to himself' (<http://www.abgile.com/frame/quote.html>, 19.01.2002).

In present times insurance companies play an important role in the economy of most countries. On the one hand these companies have the function of insuring the members of society against a broad range of all conceivable risks. They thus improve the quality of life by providing peace of mind. On the other hand these companies also represent large capital resources which they invest in a variety of projects for capital gain.

Before the insurance industry and related subjects are discussed in detail, it is necessary to obtain a clear understanding of what the term insurance entails and what functions are fulfilled by companies involved in this industry.

Insurance or assurance is a device for indemnifying or guaranteeing an individual against some kind of loss. Reimbursement is made from a fund to which many individuals exposed to the same risk have contributed certain specified amounts, called premiums. Payment for an individual loss, divided among many, does not fall heavily upon the actual loser. The essence of the contract of insurance, called a policy, is mutuality. The major operations of an insurance company are underwriting, the determination of which risks the insurer can take on; and rate making, the decisions regarding necessary prices for such risks. The underwriter is responsible for guarding against adverse selection, such as an excessive coverage of high-risk candidates in proportion to the coverage of low risk candidates. In preventing adverse selection, the underwriter has to consider physical, psychological, and moral hazards in relation to applicants. Physical hazards include those dangers which surround the individual or property, jeopardising the well-being of the insured. The amount of the premium is determined by the operation of the law of averages as calculated by actuaries. By investing premium payments in a wide range of revenue-producing projects, insurance companies have

become major suppliers of capital and they rank among the world's largest institutional investors (<http://www.infoplease.com/ce6/bus/A0825301.html>, 19.01.2002).

The insurance industry has undergone some significant changes in the past few years. A number of factors could be identified that are mainly responsible for these changes. These factors are interdependent and should be seen as influencing each other as well as the insurance industry as a whole.

#### **4.2 CHANGES IN THE INSURANCE INDUSTRY**

In many countries - especially the First World countries, but also in South Africa - the insurance industry has reached a level of saturation (Erwee, 1986: 11). The demand for new insurance products has levelled off as most consumers are in possession of the insurance products they need. The market saturation has had several influences on the insurance industry. One of these influences is that the entry barriers for new companies wishing to enter the insurance industry have increased.

Insurance companies are also searching for new ways in which they can increase their profits. Some companies have merged or taken over other smaller companies. Other insurance companies have expanded their operations into other financial services that had up until then been reserved for the banking sector. From these mergers and expansions a few large companies have emerged which are currently dominating the insurance industry on a global level, for example Allianz.

The size of these globally operating insurance companies is in turn a factor that increases the entry barriers for other, smaller insurance companies. These large companies profit from being able to offer their products at a lower premium, because the risks and the costs are spread over a larger customer base. The size also serves as a guarantee to customers that the company is successful and will not experience financial difficulties in the foreseeable future.

The most important change that has taken place in the insurance industry over the past few years is, however, the increased use of the Internet as a distribution channel. As individuals are becoming increasingly familiar with the Internet and its related functions, insurance companies are taking this new opportunity to reach their customers and to offer their products through this communication channel. Almost every insurance company today owns a website

on which the company is presented along with all the products (for example: <http://www.allianz.de>, 19.01.2002; <http://www.axa-colona.de>, 19.01.2002; <http://www.cosmosdirekt.de>, 26.02.2001; <http://www.oldmutual.co.za>, 19.01.2002; <http://www.sanlam.co.za>, 19.01.2002; and others). The aim of the insurance companies is to establish the Internet as a distribution channel, which would also mean significant cost savings for insurance companies.

These factors reflect the high competition factor in the insurance industry. It is important for insurance companies to undertake adequate market research in order to determine their target market so that their marketing communications could be targeted efficiently and effectively.

### **4.3 THE INSURANCE PRODUCT**

Insurance companies offer a great variety of products, ranging from relatively ordinary products, such as life insurance, to more unusual products, for example pet insurance or body parts insurance. The most common products offered by insurance companies are life and disability insurance, health insurance, and car and household insurance. Many insurance companies also have entered the financial services market which has traditionally been reserved for banks. Through this distribution channel the insurance companies offer products intended for educational funding, retirement funding, and also for investment in various investment portfolios organised and managed by the insurance companies. In recent years, the insurance industry has broadened to guard against almost any conceivable risk. Companies such as Lloyd's will insure a dancer's legs, a pianist's fingers, or an outdoor event against loss because of rain on a specified day (<http://www.factmonster.com/ce6/bus/A0858848.html>, 19.01.2002).

Insurance products have some special characteristics which set them apart from other more conventional products. Because of these special characteristics the marketing of insurance products is also somewhat different. Meidan (1984: 1-5) has summarised the characteristics as follows:

#### **4.3.1 Perishability**

The insurance product is a direct product. This means that the insurance product cannot be inventoried and thus the insurance company is left without an important buffer that is

available to the manufacturing company. Therefore, pricing - together with other marketing tools such as distribution, advertising, and promotion - has a paramount importance and role.

#### **4.3.2 Inseparability**

A high level of interaction exists in the production and offering of the insurance product. The insurance product cannot be separated from the buyer or owner of the product. Therefore, the customer is actually a source of productive capacity and at the same time he or she is the recipient of the product and service. In most instances it is the responsibility of the insurance manager to bring the customer into contact with the delivery system and to provide an excellent service.

#### **4.3.3 Heterogeneity**

Most insurance products are very heterogenic. Since a substantial percentage of business and family expenditure is spent on personal and corporate insurance, it is important that insurance companies use marketing tools - such as the level of service differentiation and pricing - to their advantage.

#### **4.3.4 Fluctuations in demand**

The demand for certain types of insurance products is subject to high levels of fluctuation. The reason for this comparatively high rate of fluctuation could be ascribed to the elasticity of these insurance services. This means a substantial increase/decrease in personal disposable income often leads to sharp changes in demand. Fluctuations in the demand for insurance products are also influenced by changes in technological sophistication.

#### **4.3.5 Labour intensiveness**

As the insurance industry is relatively labour intensive when compared to other industries, it becomes very important to check on salespersons' performances and to reduce personnel costs.

#### **4.3.6 Pooling of losses**

The pooling or sharing of loss is another basic aspect that is unique to insurance products. The actual loss of one person is substituted for the average loss shared by all customers of the insurance company.

### **4.3.7 Risk transfer**

Another characteristic of the insurance product is that the risk of the insured person is transferred to the insurer. The insurer is expected to be in a strong position to meet and pay unexpected losses against which the customer is insured with the insurer.

## **4.4 MARKET SEGMENTATION OF THE INSURANCE MARKET**

In the past many insurance companies segmented their market according to an ad hoc method (Erwee, 1986: 11). More recently, however, Erwee (1986: 11) found that some insurance companies did achieve certain successes by introducing products aimed at specific market segments. Old Mutual for instance introduced products specifically aimed at women. Other insurance companies have also found it necessary to segment the market so that promotional expenditure could be spent more efficiently.

Meiring (1994: 15-21) proposes a segmentation of the insurance market according to four broad lifestyle stages. He labelled these segments as follows: 'Starting Out', 'Building the Nest', 'Middle Years', and 'Greys'.

### **4.4.1 The starting out segment**

This segment is made up of two sub-segments, which are 'Breaking Out' and 'Young Couples'. The most important characteristic of this segment is that individuals belonging to this group do not have any children to support.

The first sub-segment, 'Breaking Out', comprises of individuals who are generally between the ages of 18 and 24 years. The only products that are owned by more than an average of this group are savings plans. This group places a high value on social recognition and freedom to choose their own lifestyle.

The second sub-segment in this group is called 'Young Couples'. This group is constituted of couples who are married, but do not have any children yet. The age composition of this group is slightly older than that of the previous group.



#### **4.4.2 The building nest segment**

In this group the key characteristic is that a young child - from newly born until three years old - is present. Again, two sub-groups were identified: 'Sleepless Nights' and 'Young Families'.

The first sub-group in this segment, 'Sleepless Nights', mostly consists of individuals who would usually hold entry positions in their work places. The head of the household is younger than 35 years of age and the homes are usually rented. This group is characterised by the fact that they aspire and hope to improve their current material state of affairs and their personal well-being. They put a high value on providing a nest egg.

The second subgroup, 'Young Families', has another child - usually aged between four and eight years of age - in addition to the toddler. These individuals usually own their own homes.

#### **4.4.3 The middle years segment**

The key factor of this segment is that it consists of households with school-going children. This segment is made up of four sub-groups: 'Late Arrivals', 'Striving Late Arrivals', 'Mid-Life Families', and 'Striving Mid-Life Families'.

The first sub-segment, 'Late Arrivals', is characterised by the fact that, in addition to a child at school, there is also a pre-school child in the family. The head of the household is usually older than 38 years of age and these families have an above average discretionary income. Most families in this segment own their own homes. This group is mainly constituted by professional and technical specialists, and only few managers.

The second sub-group, 'Striving Late Arrivals', also consists of families with one child at school and another one of pre-school age. The difference with the previous group is that individuals belonging to this group tend to work in lower paying occupations and they have lower disposable incomes.

'Mid-Life Families' is the third sub-group and are mainly families where all children are at school. These families have lived for some time in their homes, which they own. These individuals are likely to be managers, administrators, or salespeople and they usually have high disposable incomes. They value financial security and dignity in old age.

The last subgroup in this segment, 'Striving Mid-Life Families', is composed of those individuals who are experiencing financial difficulties in the main income producing years of their lives.

#### **4.4.4 The grey segment**

The last segment - the 'Grey' segment - consists of two subgroups- 'Mid-Life Households' and 'Empty Nesters'. The first sub-group, 'Mid-Life-Households', is made up of families with older children in the home. They have average financial resources and own their own homes. 'Empty Nesters', the final sub-group, consist of families who have older children. These children are either not supported by their parents anymore, or they are in the final stages of their education. The parents own their own homes and may be retired.

#### **4.4.5 The youth segment**

Apart from the five market segments discussed above, another segment could be identified. This segment - young people between the ages of fifteen and twenty years - may be of great significance to insurance companies but these often neglect this group.

According to Rützler (1994: 75) most insurance companies do not assign great importance to the youth segment of the market. Rützler (1994: 75) warns that this is the wrong attitude towards this market segment. When considering this segment, it is true that the immediate benefits are not large. Consumers of the ages between fifteen and twenty years are mostly still insured under the cover of their parents. Young people also seldom have much discretionary income and they are expected to show only a small inclination to spend this on insurance. However, Rützler (1994: 75) points out that insurance companies should adopt a more long-term view when considering this market segment, because in the near future this market segment is likely to become important customers. Therefore, insurance companies should invest in attracting members of this segment in order to ensure their future loyalty.

Research conducted to determine the attitude of young people towards different industries, and the insurance industry in particular, did not deliver encouraging results for insurance companies (Rützler, 1994: 56-75). According to these results, the insurance industry ranks second last as far as attractiveness of the industry is concerned. The young respondents were asked to indicate why they had such a negative opinion of the insurance industry (Rützler,

1994: 57-58). The results of this study indicated that the negative image of insurance companies was largely due to the negative perception of external services and insurance salespersons. In the eyes of the youth, the insurance advisor is seen as an aggressive seller (annoying, he or she sells useless products, pays unsolicited visits, and is only interested in finalising a transaction), and gives bad advice (Rützler, 1994: 59).

Rützler (1994: 56-61) conducted a separate study to determine the reasons for this generally negative sentiment towards insurance companies. The study indicated that the primary reason was that most individuals belonging to the youth market segment did not have much knowledge of the insurance industry or its products. Other important reasons were that the premiums charged by insurance companies were considered as being too high; the insurance salespeople were perceived as being too offensive; insurance companies did not want to pay out; they sold unnecessary products and the insurance companies and their employees had a generally negative image among the consumers.

This unfavourable image of insurance companies among consumers, especially the youth, shows the importance that should be attached to improving the image of the insurance industry among the consumers through appropriate marketing communications.

## CHAPTER 5

### THE GERMAN INSURANCE INDUSTRY

#### 5.1 INTRODUCTION

The German insurance industry has reached a level of saturation. This means that the number of companies operating in this industry in Germany, and the products and services that these companies offer to their consumers, is sufficient to satisfy the demands of the consumers. The market leader in the insurance industry in Germany is Allianz (Barrois, 2001). This company is also a large global player in the insurance industry and holds shares in various companies across the world. On a worldwide ranking scale this company falls among the top five insurance companies. Other large insurance companies in Germany include Münchener Rückversicherung, Ergo Versicherung, AXA-Colonia, and Aachener und Münchener (Barrois, 2001).

Since the deregulation of the European insurance market in 1994 a change in the insurance industry has taken place. There is continuous growth in the number of products and tariffs, and the boundary between the banking and the insurance business is disappearing. The way in which insurance products are distributed has also significantly changed with the increased prevalence of online trade. Research (<http://www.vdvf.de>, 19.01.2002) has shown that in Germany the products traded most on the Internet are books and electronic equipment. Financial services, such as banking and insurance products, are in fifth place ranked according to the frequency these products are bought over the Internet.

#### 5.2 COMPOSITION

The insurance industry in Germany may be divided according to three basic categories of distribution structures. The first category is that of the traditional insurance company. This category is also the largest and contains most insurance companies. Insurance companies in the second category are the so-called *Annex Vertriebe*. The third, and smallest, category of insurance companies consists of all the direct insurance companies (Barrois, 2001).

### **5.2.1 Traditional insurance companies**

The first category into which insurance companies could be classified is that of the traditional insurance company. Traditional insurance companies may be defined as all those companies that use those channels of communication and distribution that are traditionally associated with insurance companies. This includes both indirect and direct channels of communication and distribution. Examples are external services, such as salespeople, insurance agents, and brokers, as well as call centres, mailings and the Internet. These companies, therefore, make unlimited use of all possible distribution channels through which they can reach their customers and finalise an insurance deal (Barrois, 2001).

According to Barrois (2001) the potential market share of these insurance companies in Germany is 75% with an estimated DM 250 billion in instalments. This means that approximately 75% of all customers who are interested in buying insurance products, will be served by the traditional insurance companies. The insurance companies following the traditional approach of distribution dominate the market because their method of distribution has proven to be very efficient, although their products are usually more expensive than those offered by competitors of the other categories (Barrois, 2001).

Companies in the traditional category are faced with high costs that arise from training salespeople and paying commissions as part of their remuneration. These costs are transferred to customers in the form of higher premiums. As insurance products are perceived as complicated and manifold consumers are either prepared to pay a higher premium for the support of the salesperson, or are simply unaware of cheaper possibilities. The market is, therefore, mainly a seller or push market where insurance products are sold by persuading the customer of the necessity of these products (Barrois, 2001). Examples of insurance companies following this distribution structure are plentiful in Germany, as most companies follow this structure in conducting their business (Barrois, 2001; Knospe, 2000). Some of the larger traditional insurance companies include Allianz, AXA Colonia and Aachener Münchener Versicherungen (<http://www.allianz.de>, 19.01.2002; <http://www.aachenermuenchener>, 19.01.2002; <http://www.axa-colonia.de>, 19.01.2002).

### **5.2.2 Annex-Vertriebe**

The second category of distribution structures through which insurance products could be sold is that of the so-called *Annex-Vertrieb* - or annex-distribution. In this category the products

are distributed through banks and other companies that operate in a different, but related field of business to the insurance industry. The insurance products are sold as a by-product of the business through the existing distribution channels (Barrois, 2001).

The advantage of this form of distribution is that it is based on an existing relationship and trust between the customer and the company. The distribution channel already exists and the insurance products are sold by the same personnel and through the same distribution channels as the main product of the company. Using this method of distribution for their products means lower costs for the insurance companies, as the costs are divided between the different products sold through these annex-distribution channels (Barrois, 2001).

This form of distribution is a mixture between a seller's and a buyer's market, because selling insurance is not the only or expressive goal of companies functioning as distributors for insurance companies. Therefore, the products are offered by one side - pushed, but also often demanded by the other side - pulled. Due to this mixture between a buyer's and a seller's market, the efficiency of this form of distribution is not as high as the efficiency of the traditional insurance companies, but it is still moderately high. The potential market share that can be reached by these companies is 20 % of the total insurance market in Germany (Barrois 2001).

### **5.2.3 Direct distribution**

The third category of distribution structure for insurance products in Germany is direct distribution. Companies operating as direct insurance companies use none of the indirect distribution channels associated with the traditional insurance companies - intermediaries, salespeople, agents or brokers. Instead, these insurance companies sell their products directly to their customers. This distribution method has the main advantage that it lowers the expenses of the insurance company to a great extent and these savings could then be transferred to the customers in the form of cheaper premiums. This distribution method, however, necessarily also implies that the customers should be able and prepared to make their buying decision without the help of salespeople. The perceived complication of the insurance product, however, makes it very unlikely that a great number of people are able or willing to make these decisions without the support of a qualified salesperson (Barrois, 2001).

In Germany numerous insurance companies claim to be direct insurance companies. However, many of these so-called insurance companies violate the prerequisites of a truly pure direct insurance company in at least one point. Cosmos Direkt claims to be the only direct insurance company in Germany that is purely direct in its distribution process. Therefore, it refers to itself as *lupenrein*. This means the company does not use any external services, insurance brokers, salespeople or agents, but administrates and sells all products from its central office in Saarbrücken (Barrois, 2001).

The market share of the direct insurance companies in Germany is relatively small - only approximately 2,3 % in 1999: although experts estimate that the potential market share for this type of insurance company lies at about 5% of the total insurance market in Germany (Barrois, 2001). The largest direct insurance companies in Germany are Hannoversche Lebensversicherung, Cosmos Direkt, Ontos, Quelle and Asstel (Barrois, 2001; <http://www.asstel.de>, 19.01.2002; <http://www.cosmosdirekt.de>, 26.02.2001; <http://www.hannoversche-leben.de>, 19.01.2002; <http://www.ontos.de>, 19.01.2002; <http://www.quelle-versicherungen.de>, 19.01.2002).

### 5.3 SUMMARY

The insurance industry in Germany could be divided into traditional insurance companies, annex-distributors, and direct insurance companies. The distribution structures employed in the insurance industry could be seen as situated on a continuum where the purely traditional insurance companies are at the one end, the purely direct insurance companies are situated at the other end and the annex distribution falls somewhere inbetween. There are also companies that claim to be direct distribution companies but which are not strictly *lupenrein* direct insurance companies.

The most important difference between the direct insurance companies and the traditional form of insurance companies is that the direct insurance company follows a direct distribution method where no intermediaries of any kind are used. The traditional insurance companies, however, do employ insurance salespeople and make use of insurance agents and brokers who act as intermediaries between the insurance company and the customers. The direct insurance companies do not maintain external offices, but operate from one central office, as opposed to the traditional insurance companies.

The difference between these two opposing forms of distribution of insurance products is also apparent in the division of the market between the two forms. The traditional insurance companies have an estimated potential market share of 75%. This means that about 75% of all consumers who are in the market for an insurance product will buy this product from one of the traditional insurance companies. An additional market share of approximately 20% accrues to the companies following an annex-distribution method. This leaves only 5% of all potential insurance customers who fall into the potential market share of the direct insurance companies (Barrois, 2001). Most companies, however, are neither completely direct nor completely indirect, but fall somewhere on the continuum. The exception is Cosmos Direkt, which expressively claims to be purely direct in its communication and distribution.



## CHAPTER 6

### A CASE STUDY OF THE GERMAN INSURANCE COMPANY COSMOS DIREKT

#### 6.1 INTRODUCTION AND DESCRIPTION

The Cosmos Lebensversicherungs AG celebrated its 50<sup>th</sup> anniversary in the year 2000. The company was founded in June 1950 as the “Vereinigte Saarländische Volkshilfe und Terra Volks- und Lebensversicherungs- Aktiengesellschaft” in Saarbrücken, the capital of the Saarland province in Germany. The company was renamed “Cosmos” in 1960, because the board of directors felt this name was more appropriate for the company and its future (Cosmos Direkt Booklet, 2000: 7, 19).

In the first years of its existence the company experienced numerous successes which led to its expansion. In the late seventies, however, the insurance industry in Germany experienced stagnation which was especially severe in the Saarland (Cosmos Direkt Booklet, 2000: 27). This stagnation was a major factor that influenced the board of directors of Cosmos Direkt in their decision to reorganise the distribution system of the company - which had up until then been a traditional distribution system through intermediaries - into a direct distribution system. Thus, in 1982 Cosmos Direkt took the first steps in becoming a direct insurance company. At this stage, the company employed no more than 62 people. This number has increased to more than 1 100 employees at present, which is a clear indication of the success the company has enjoyed during the last eighteen years (Cosmos Direkt Booklet, 2000: 30).

At present, Cosmos Direkt consists of four corporations. These are the *Cosmos Lebensversicherungs AG*, the *Cosmos Krankenversicherungs AG*, the *Cosmos Versicherungs AG*, and the *Cosmos Finanzservice GmbH*. Each of these corporations offers different products to the customers of Cosmos Direkt, which could all be summarised as being centred around the person; around the car; around the house (Barrois, 2001).

The *Cosmos Lebensversicherungs AG* offers products, such as risk-insurance, classic retirement insurance, as well as shares-related life and retirement insurance, and life insurance. The *Cosmos Krankenversicherung AG* offers products in the category of additional

coverage for expenses for days spent in hospital or at home because of illness. The *Cosmos Versicherung AG* is responsible for products in the category of accident, personal, car and building insurance. The *Cosmos Finanzservice GmbH* offers financial products to customers in co-operation with financial institutes, like banks (SaarBank, SKG) and investment firms (for example ADIG, Templeton, DWS, and others) (Barrois, 2001). However, the most important contribution is made by risk life insurance which falls into the category of the *Cosmos Lebensversicherungs AG* and constitutes 90 % of *Cosmos Direkt's* total business transactions (Euromarkt Magazin cited on <http://www.cosmosdirekt.de>, 26.02.2001). According to Barrois (2001) the market share of *Cosmos Direkt* was 2 % in 1998: 2,4% in 1999 and 2,9% in the year 2000.

## **6.2 THE HISTORY AND DEVELOPMENT OF COSMOS DIREKT**

It is important to discuss the history of *Cosmos Direkt* to gain an oversight of the development of the company throughout the years, and the events and circumstances that led to the decision to continue as a direct insurance company, instead of a traditional insurance company. This knowledge, in turn, is important for an understanding of the company's business philosophy and business practices to develop the most suitable marketing strategies. Ultimately, these findings will be used to judge what the company's possibilities and limits are regarding the introduction of sponsorship marketing as part of its integrated marketing communication programme.

As stated above, *Cosmos Direkt* was founded in June 1950 in Saarbrücken, the capital of the Saarland (*Cosmos Direkt Booklet*, 2000: 7). The Saarland at that time was part of France as a result of the four divisions of Germany after the Second World War into the American, English, Soviet, and French sectors. Due to its geographical position on the border between Germany and France, the Saarland held a special political status compared to the rest of Germany after the Second World War.

The entire political circumstances surrounding the formation of *Cosmos Direkt* fall outside the topic of discussion. Some important details should be noted, however, because the foundation of the company is closely linked to the post-war history of the Saarland. Because of the regulations applying to the Saarland until 1955, the insurance companies located in this region were allowed to operate only in the Saarland. When the Saarland was restored back to the Federal Republic of Germany in 1955 this situation of political and economical isolation

changed. The competition in the insurance industry of the Saarland increased as insurance companies situated in the rest of Germany took up operations in the Saarland. As a result the “Vereinigte Saarländische Volkshilfe und Terra Volks- und Lebensversicherungs-Aktiengesellschaft” had to reorganise its management strategies to counteract these new developments. In the following years the company expanded its operations, and by 1959 - when the restoration of the Saarland back to the Federal Republic Germany was completed economically - the Cosmos Allgemeine Lebensversicherungs- Aktiengesellschaft was founded (Cosmos Direkt Booklet, 2000: 14-17).

The next important development for the “Vereinigte Saarländische Volkshilfe und Terra Volks- und Lebensversicherungs- Aktiengesellschaft” occurred in 1960 when the important decision was taken to change the existing name of the company to Cosmos Lebensversicherungs- Aktiengesellschaft. This name proved to be an excellent choice - even in present times, especially when the increasingly international activities of the company are taken into consideration. One of the main reasons for this decision was that the old name was similar to the name of a competing company and this situation could have led to confusion among customers (Cosmos Direkt Booklet, 2000: 19).

During the sixties and seventies Cosmos Direkt enjoyed success and growth, and as a result increased the diversity of its product offerings. Business was extended into the south western area of Germany with strategically selected business sites in certain cities around this region. During the time from 1964 to 1969 the Volkshilfe Lebensversicherung Berlin/Köln bought the majority of shares of the Cosmos Lebensversicherungs AG, and later in turn merged with the Aachener und Münchener Lebensversicherung in 1969 (Cosmos Direkt Booklet 2000: 21-27).

The growth of Cosmos Direkt continued during the first half of the seventies. In the second half of the seventies, however, Cosmos Direkt started to experience considerable problems, especially regarding high costs related to the maintenance of offices around the country and external services by agents and salespeople. To solve this problem the board of directors decided in 1982 to change the business format from a traditional insurance company to a direct insurance company. This meant that the use of intermediaries in the form of external services, insurance agents and brokers would be discontinued and the company would only operate from one central office in Saarbrücken. This was a revolutionary idea, insofar as this

had never been done before. This decision was mainly aimed at saving costs by discontinuing the use of external personnel and offices, and yet save the working places of Cosmos Direkt's employees (Cosmos Direkt Booklet, 2000: 29-32). These developments could be regarded as the new beginning of Cosmos Direkt, because of the completely new orientation and business philosophy of the company.

Cosmos Direkt again enjoyed considerable growth after this reorganisation, and still continues to do so. Over the years the company has extended its range of products to offer a complete protection scheme for its clients. In order to fulfil the requirements of the direct form of distribution - and the special *lupenreine* form thereof - the company still only has one central office in Saarbrücken, and still refrains from employing external services, insurance agents and brokers. The total sum of existing insurance contracts in monetary terms amounted to DM 103,6 billion in the year 2000 and the new insurance contracts completed in the year 2000 amounted to DM 23,3 billion (Barrois, 2001). At present the company enjoys an average growth rate of approximately 20% per annum (Euromarkt-Magazin cited on <http://www.cosmosdirekt.de>, 26.02.2001).

### **6.3 COSMOS DIREKT: LUPENREINE DIRECT INSURANCE COMPANY**

Cosmos Direkt is an insurance company in Germany that offers its services directly to the customers without an intermediary. According to Cosmos Direkt many competitors claim to be direct service providers in the field of insurance and financial services (<http://www.cosmosdirekt.de>, 26.02.2001). However, these companies use diverse forms of intermediaries, such as insurance salespeople, agents and brokers, or external offices amongst others, and thereby violate the conditions of the direct form of distributing insurance products. Thus Cosmos Direkt claims to be the only direct insurance company in Germany that is *lupenrein* or pure (Barrois, 2001).

*Lupenrein* means that the products and services are offered by the insurance company, such as Cosmos Direkt, directly to the receiver of the product or service - the customer. Barrois (2001) stated that in order to be able to make the claim to be a *lupenreine* - or pure - direct insurance company, the insurance company has to fulfil the following three conditions:

1. The insurance company foregoes the use of separate offices, but instead operates from one centralised office, where all decisions are taken and the administration is done. This means

that the company has no external offices around the country. Cosmos Direkt fulfils this condition because it only works from one centralised office in Saarbrücken.

2. The insurance company foregoes the use of external services in the form of insurance salespeople or agents and offers its products directly to the customer, without any intermediaries. The company may use any media or communication channel, such as the telephone, telefax, mail, print media and broadcast media in order to contact and communicate with its customers.

3. The insurance company also foregoes the employment of the services of insurance brokers and distribution by third parties.

The aim of this business practice is to create cost savings by avoiding the unnecessary duplication of administration work and maintenance costs. These cost savings are then transferred onto the customers in the form of cheaper premiums. This method of conducting business has certain advantages, but also disadvantages.

The main disadvantage is that because the company does not make use of outside services - such as insurance salespeople, agents or brokers - the potential market share is much smaller. The company operates in a buyer's market, which means that the customer has to become active and involved in the process of buying insurance. According to Neurohr (2001), however, insurance products are not products that naturally lend themselves to this type of consumption behaviour, because consumers do not view them as basic necessities or desirable products.

The website of Cosmos Direkt (<http://www.cosmosdirekt.de>, 26.02.2001) shows that the company expects its customers to receive a number of very important advantages from the *lupenrein* direct distribution business practice:

### **6.3.1 Cheaper offers**

As Cosmos Direkt foregoes external offices, and instead only has one central office in Saarbrücken where all decisions are taken and the administration is done, a great deal of expenses are saved in the form of personnel and maintenance costs. The building that Cosmos Direkt occupies in the capital of the Saarland, and the interior office furniture and fittings give

evidence to the claim that one of the main objectives is to save costs in order to transfer these savings onto their customers in the form of inexpensive rates.

Costs are further reduced because Cosmos Direkt does not use any external services of insurance salespeople, brokers, agents, or annex distributors and thus saves costs related to training, sales commissions and bonuses. These cost savings are also translated into cheaper rates for customers.

### **6.3.2 Better performance**

As Cosmos Direkt works on a very cost-conscious basis does not mean that the quality of its services is negatively affected. Rather the opposite is true, because through the strict cost management that Cosmos Direkt follows, it ensures that the the customer receives outstanding value for money. This is accomplished because only a small number of employees of the company work on one account and are responsible for the customer. Thus costs are saved and the customer enjoys quick and efficient service.

### **6.3.3 Private risk-management**

One of the most important recommendations of Cosmos Direkt to its customers is to take a provisional strategy with regard to their insurance coverage, which entails coverage according to priorities. This means that the customers decide to insure themselves uncompromisingly against existence-threatening risks, such as life insurance, while they forego the coverage of small damages. The special risk-management that Cosmos Direkt recommends is the separation of risk-coverage and the saving-process.

### **6.3.4 Transparent problem solving**

Customers of Cosmos Direkt only sign the insurance contract if and when they understand the coverage they are buying and what advantages it holds. The reason for this is that the direct customer becomes active and informed him or herself without the inducement of a salesperson, as in the case of traditional insurance companies. This requires a broad diversity of products which have be transparent and entail obvious advantages.

The products offered by Cosmos Direkt are tailored to all possible customer needs and desires. Therefore, Cosmos Direkt is not only a direct insurance company, but also a direct

financial service provider. The company offers insurance, classic bank products, investment funds and financing with the price advantages of the direct distributor.

### **6.3.5 Critical and informed customers**

The target market of Cosmos Direkt is naturally homogenous. Most customers of this company are critical and informed consumers. These consumers decide for themselves what they want, and make their own choice according to these desires. Therefore, the level of cognitive dissonance or regrets is relatively low. This is evident because the rates of cancelled contracts is relatively low compared to that of the whole insurance industry in Germany.

According to Barrois (2001), the critical and informed consumer could be described as an academic, who is able to decipher offers by insurance companies without the help of insurance salespeople or agents. This customer has an above average income and also a higher level of education. Most of the people targeted by Cosmos Direkt are intelligent and demanding. The company does not search for a mass product, but prefers a product offering that solves their clients' individual problems and is tailored to their specific needs.

The low rates of contract cancellations are proof that the majority of the customers of Cosmos Direkt are satisfied with their product choice. This is an advantage for Cosmos Direkt because satisfied customers make convinced advisors (<http://www.cosmosdirekt.de>, 26.02.2001).

### **6.3.6 Competent and direct consultation**

Although the customers of Cosmos Direkt are prepared and able to make their own decisions about the type of insurance they need or want, Cosmos Direkt still offers competent and direct consultation services, which are always available. The employees of Cosmos Direkt are well trained in this area and have the most modern computer-aided analysis and consultation programmes at their disposal. The day and night telephone service always leads to a personal and not a computerised voice. This telephone service is available 24 hours a day, and 365 day a year, even on weekends and holidays.

Cosmos Direkt has also won the "Customer Service Award" in the past. This proves that the company delivers exceptionally good advice and customer service in spite of foregoing the use of intermediaries and brokers. The company is consequently judged as being better than insurance companies that follow the traditional method of distribution (Barrois, 2001).

### **6.3.7 Numerous channels of communication**

As a direct insurance company it is very important for Cosmos Direkt to open and use as many communication channels as possible, in order to be reachable for customers and to give advice at any time. These communication channels include the traditional media, such as letters - which contain individual problem solutions – newspaper and magazine advertisements which show clear examples of calculations and coupons; the day- and night-telephone; direct-response television advertisements which show the telephone number of the day and night telephone; and the modern online-media, where the customers may for example make their own calculations.

### **6.3.8 Comprehensive information**

Because the customers of Cosmos Direkt have to inform themselves and make decisions on their own, all the pertinent information has to be readily available. This means that all offers, conditions and descriptions are transparent and easily understandable for the consumer.

### **6.3.9 Savings instead of glamour**

In all the information made available to customers the principle of savings instead of glamour prevails. This means that it is more important to keep costs low - and thus save money, which can be transferred to the customers in the form of low rates, than to impress the customers with glamorous actions and image. One example of this cost saving principle is that concrete personal offers to a customer are printed on environmentally friendly, recycled paper, instead of glossy paper. Another example is that all the print advertisements and television spots of Cosmos Direkt focus on product descriptions and calculation examples, instead of outlining the size and tradition of the company.

### **6.3.10 Top ratings**

Cosmos Direkt often achieves top ratings in professional and objective ratings. These ratings are given by renowned financial and consumer magazines as advice to consumers and to help them make a good choice between similar products. Examples of these magazines are 'Finanztest- Stiftung Warentest', 'Capital', and 'DM'. These ratings are supposed to have a positive effect on the customers and encourage them to recommend this company to their friends and family.



#### **6.4 THE TARGET MARKET OF COSMOS DIREKT**

Cosmos Direkt describes its target market as critical and informed consumers, those that know how to appreciate the expert competencies that the insurance company has accumulated, and are looking for an individual solution to their problem. They value qualified service that withstands all objective comparisons in any instances (Cosmos Direkt Booklet, 2000: 30).

Until the present day Cosmos Direkt has never conducted any marketing research (Henke, 2001). Therefore, most marketing communications activities are based on assumptions made by the marketing department and the board of directors of the company. Cosmos Direkt verifies its identification of its target market by stating that an above-average number of its customers are self-employed, as well as managers, officials and office-employees. The company also states that its customers have an above average level of education, and include numerous academics. The average monthly net household income of this target market lies well above DM 4000,00 and in many instances even above DM 5000,00 per month (Schmid, 2001).

Cosmos Direkt's customers are also characterised as being open towards new information technology and the Internet, as well as its related functions. They also show a high affinity towards topics concerned with financial services and are open to investment funds. They are expected to inform themselves about these topics in scientific magazines and critically evaluate and compare each offer that is made to them (Schmid, 2001).

Other important aspects according to which Cosmos Direkt segments the German insurance market are age, the class of the existing insurance contract, and the family status. Schmid (2001) explains that these are the characteristics of the core target market of Cosmos Direkt. The market share of this group is judged to lie between 5% and 10% of the total insurance market in Germany.

#### **6.5 MARKETING COMMUNICATION OF COSMOS DIREKT**

Cosmos Direkt foregoes all the conventional communication and distribution channels usually associated with the insurance industry, because it is a pure direct insurance company. In order to uphold its reputation as the only pure insurance company in Germany, the company is

restricted to those communication channels where it can directly reach its customers without the use of intermediaries of any kind (Barrois, 2001).

The means of communication employed by Cosmos Direkt are direct response mailings, direct response television commercials, direct response newspaper advertisements, direct response magazine advertisements in financial magazines, direct response coupons in OTTO-catalogues, and the Internet. Cosmos Direkt also relies on so-called recommendation actions, where existing customers are encouraged to recommend the company and its products to their friends and family. All these communication tools rely on the extensive database that the company has built up over the years as part of its customer relationship management activities. This database contains data of all existing customers and applicants. Apart from these communication tools the company is also involved in a number of co-operation agreements, which it facilitates to reach consumers who are not yet contained in the in-house database (Barrois, 2001).

According to Barrois (2001) the marketing communication tools employed by Cosmos Direkt have in common that they all contain a direct response mechanism. The communication channels are operated in such a way that an employee of Cosmos Direkt communicates directly with a customer and no intermediary person is involved. The marketing instruments mainly depend on the willingness and ability of the targeted consumers to respond directly to the company when being exposed to the marketing stimulus and make their own decisions about the specific insurance products they may need.

Schmid (2001) states that the media employed by Cosmos Direkt must fulfil three criteria. The first criterion is that the addressee must have the opportunity to respond directly to the company - for example through a coupon in print media, or the visual and audible transmission of the service-hotline number in broadcast media. The second criterion is that the medium should reach the target market as frequently as possible in order to restrict lost audiences. The third criterion is that the cost of the promotion may not be too high, because Cosmos Direkt is a direct insurance company that offers low premiums. Therefore, Cosmos Direkt must precisely calculate all expenses.

Schmid (2001) also refers to the importance that Cosmos Direkt attaches to including top-ratings in performance-comparisons that the company received from impartial and professional consumer magazines, for example “Stiftung Warentest”.

### **6.5.1 Direct response mailing**

The most important marketing communications tool employed by Cosmos Direkt is sending regular direct response mailings to its existing customers contained in their database. The mailings that Cosmos Direkt sends out may be divided into three categories. These are own mailings, foreign mailings - which will be discussed in a later section – and info-letters. In general, mailings have the task of attracting new customers, transforming prospects into customers, and persuading existing customers to purchase another insurance from Cosmos Direkt (Barrois, 2001).

According to Barrois (2001) the direct response mailings are designed in such a way that a problem is addressed directly in a personalised letter, and simultaneously a solution is offered in the same letter in the form of an insurance product from Cosmos Direkt. The mailings are sent when a current event occurs and carry the theme of that event, for example summer holidays. The insurance products discussed in the mailing are also related to this theme.

Own mailings are mailings that are sent exclusively to Cosmos Direkt’s existing customers. The details of the customers are contained in a database for this purpose. The company regularly mails letters containing information about new, innovative products, the status of the company’s current policies and other important news (Barrois, 2001).

Info-letters are a special form of mailings. The main aim of these letters is to market specific products offered by Cosmos Direkt. These letters advertise the intended purpose of a specific product, and the customer’s express need for this product is addressed and highlighted. The info-letters are mailed bi-annually and are concerned with topics related to the insurance industry and changes of the legal situation in this industry. The info-letter is often perceived as a letter containing useful information, instead of advertisement (Barrois, 2001). The info-letter is used as a means for customer relationship management, and at the same time as a medium for promoting cross-sales of products (Schmid, 2001).

### **6.5.2 Direct response spots on television**

Television is another medium that Cosmos Direkt utilises in order to reach its customers. Direct response commercials are broadcast on specific channels so that a certain target market is reached. The channels on which Cosmos Direkt airs its adverts are N-TV, VOX, and N24 (Schmid, 2001). The reason for choosing these channels is that the demographics of the average viewers of these channels are similar to the demographics of the target market of Cosmos Direkt. These commercials advertise the products that Cosmos Direkt offers and include a telephone number, so that interested customers may contact the insurance company immediately and conclude a transaction. Operators in a call-centre attend these telephones day and night - even on Sundays and holidays - so that customers can always reach an informed person who is able and qualified to give advice about the products (Barrois, 2001).

### **6.5.3 Direct response newspaper advertisements**

Print media is another communication tool employed effectively by Cosmos Direkt to attract customers. Only specific newspapers are selected for this purpose so that only those consumers are targeted that match the demographic profile of the target group of Cosmos Direkt. The adverts in these newspapers are designed in such a way that the reader easily gains all the relevant information needed for a decision. The most important aspect of these newspaper adverts is the coupon that offers the readers the opportunity to respond immediately and apply for insurance coverage (Barrois, 2001).

### **6.5.4 Direct response magazine advertisements**

The second type of print media that Cosmos Direkt utilises to reach its target group is magazines. Direct response adverts similar to those placed in newspapers are inserted into specific magazines, so that only consumers are reached that match the demographic profile of the target market of Cosmos Direkt. These magazines are mainly concerned with financial and consumer-related issues, like "Capital" or "DM". The adverts in the magazines are inserted behind the cover and contain pull-out coupons, which can be filled in and mailed to Cosmos Direkt for insurance cover that is immediately effective (Barrois, 2001).

### **6.5.5 The Internet**

Recently, Cosmos Direkt launched its own website (<http://www.cosmosdirekt.de>, 26.02.2001). Visitors to this website are able to calculate their own premiums for the insurance coverage that they desire and then compare these with other calculations. When the

customer has made a decision regarding the coverage he or she wants, an application form can be printed out and filled in immediately. This application form must be printed out, filled in and sent through the post because of security reasons as they contain confidential information. According to Barrois (2001) the website is very successful and many applications are received via this communication channel.

Neurohr (2001) stated that the motivation for opening the Internet channel for communication is supported by the results of a Forrester study in the United States of America. These results stated that 78% of the web users seek information about insurance products with the help of the Internet. Internet users also have the same consumer profile as the target market of Cosmos Direkt, according to Neurohr (2001). It has been shown that a disproportionately large number of potential customers of Cosmos Direkt are reached through the Internet. Already 11 % of the Internet surfers are familiar with the site of Cosmos Direkt. This is the second best known Internet site of an insurance company after the Allianz (18%) (Neurohr, 2001).

Schmid (2001) states that the task of the Internet is company and product-advertising. This medium contains a number of service-elements, for example the "Call-me-Button", models for premium-calculations, and a job-market amongst others. The Internet-Newsletter that is compiled by the company and placed on its website is also gaining in importance (Schmid, 2001).

#### **6.5.6 Recommendations by customers**

Another important manner in which Cosmos Direkt attempts to gain new clients, while still abiding by the rules of being a pure direct insurance company, is by encouraging existing customers to recommend the company and its products to their friends and family. In these recommendation actions existing customers receive a gift - in the form of a bottle of champagne, a watch, or a travel guide - as a sign of appreciation. An existing customer could earn such a gift by successfully recommending the company to someone else. Only once the contract has been signed, will the gift be sent. This requires that the existing customers needs to be extremely satisfied with the products and services offered by Cosmos Direkt. This word-of-mouth advertisement is very important for Cosmos Direkt and many new customers are recruited in this way (Barrois, 2001).

### **6.5.7 Co-operation agreements**

Cosmos Direkt is involved in co-operation agreements with several companies. The most important co-operation partners include financial institutions - the SKG Bank GmbH in Saarbrücken and the Saar Bank eG in Saarbrücken; the OTTO Versand (GmbH and Co) in Hamburg; and CONOCO Mineralöl GmbH in Hamburg. The purpose of these co-operation agreements is to extend the reach of Cosmos Direkt without violating the conditions of the pure direct form of distribution. These companies may, however, not be seen as acting as intermediaries or sales agents for Cosmos Direkt, but rather as recommending the products offered by Cosmos Direkt (Barrois, 2001).

The co-operation agreement between Cosmos Direkt and the SKG Bank entails that the bank offers certain products - such as a TeleKonto - and carries all the risks, while Cosmos Direkt only distributes the products through its established distribution channels and gives its brand name to them. Therefore, this co-operation agreement is referred to as a co-branding agreement between Cosmos Direkt and the SKG Bank (Barrois, 2001).

The co-operation between Cosmos Direkt and the Saarbanc is similar to that of Cosmos Direkt and the SKG bank. The product offered in this case is a Visa Card that may be used worldwide. Again, Cosmos Direkt does not carry the risks, but only offers the product to its customers through its established communication channels (Barrois, 2001).

Another co-operation partner of Cosmos Direkt is the OTTO Versand (GmbH and Co) from Hamburg. This company uses catalogues to sell its products and is the biggest mail-order house worldwide. The range of products includes everything from clothing, accessories and furniture. The agreement between Cosmos Direkt and OTTO entails that all OTTO catalogues contain a direct response coupon advertising Cosmos Direkt and its products.

Apart from this, the OTTO company also sends personalised letters to its clients. In these letters specific insurance products of Cosmos Direkt are recommended to the recipients. These are the foreign mailings referred to above. The letters are personalised, which means that they are designed so that they address a certain type of consumer, for example a member of a certain age or occupational group. In this way Cosmos Direkt can tap into the inventory of OTTO customers, which means a potential of 22 million customers, and still abide by the strict privacy laws of Germany. At the moment the share of new business through this co-

operation is approximately 10% (Neurohr, 2001). The addresses and data of the customers never leave the property of OTTO, and are completely unknown to Cosmos Direkt, until the customer him or herself sends the filled-in application form to Cosmos Direkt (Barrois, 2001).

The co-operation partnership between Cosmos Direkt and OTTO seemed desirable because both companies use the same basic distribution principle. Cosmos Direkt uses the direct channel in order to reach its customers, as explained above, and OTTO offers its products in catalogues, which are sent to the consumers. Therefore, the target markets of both companies show a high degree of similarity in their consumption behaviour. In both instances personal contact with the company is not necessarily desired, and the customers are prepared to send and receive their orders via mail (Barrois, 2001).

#### **6.5.8 Presentations at universities and *Fachhochschulen***

At the moment Cosmos Direkt is testing another, more unconventional communication channel. This entails presentations at Universities and *Fachhochschulen* (similar to technikons). During these presentations products of Cosmos Direkt are introduced and explained, and at the same time the company is presented as a potential future employer. This seems to be a worthwhile method, because the segment reached through this channel is the future target market of Cosmos Direkt. However, these presentations can only be held on a regional level and it has consequently not yet been determined whether they would be continued in future (Barrois, 2001).

The youth market segment is very desirable for insurance companies, because people who are studying or are about to enter the working world usually have no own insurance cover yet, but are still insured under the cover of their parents. Therefore, insurance companies should be interested in attracting these young professionals as customers (Barrois, 2001).

#### **6.5.9 Database marketing**

Most of the marketing communication methods of Cosmos Direkt rely on the database that the company has built up throughout the years. This information is used in order to reach existing as well as potential customers and inform them about new developments in the insurance industry and products offered by Cosmos Direkt.

The information contained in the database was collected by various means. Because of the legal position of Germany regarding data of private persons, it is not permitted to deal with the data of an individual. Therefore, the company has to find other means by which they can reach as many consumers as possible through a direct communication channel.

The most important source of data that Cosmos Direkt can exploit is the information given by customers in insurance contracts. Therefore, the customers have given most of the data contained in the database at the time when the first insurance agreement was finalised between the individual and the company.

A second source of data is the information contained in application forms for insurance products, but where no agreement was concluded. This includes the data submitted on the application forms through the Internet. Information is also gathered from the application forms that Cosmos Direkt receives through its various co-operation agreements (Barrois, 2001).

One final source of information on which the database is built, is the information submitted by students. After presentations at universities or *Fachhochschulen* students are encouraged to fill in forms in exchange for a free CD-ROM. This information is evaluated and stored in the database, and used at a later stage to approach students with product information (Barrois, 2001).

## **6.6 SPONSORSHIP MARKETING BY COSMOS DIREKT**

Barrois (2001) pointed out that Cosmos Direkt perceives sponsorship marketing as being unsuitable for its marketing communication purposes, because the market segment targeted by the company would not appreciate this expense. The company's image is built on the principle of making prudent investment decisions so that the company can transfer the low costs onto its customers in the form of inexpensive premiums. Therefore, the marketing budget of the company does not make any provision for large expenses.

Despite this statement by Barrois (2001), however, Cosmos Direkt does associate itself with a small regional event in Saarbrücken as the main sponsor. The event sponsored by Cosmos Direkt is the Max Ophüls Festival, which takes place in Saarbrücken at the beginning of each year. The company has been involved with the Max Ophüls Festival for the past eleven years,



and continues to do so. The main responsibility of the company in its capacity as main sponsor takes the form of providing financial support for the festival. In 2001 this support amounted to DM 120 000 and was comprised of the following, according to Schmid (2001):

60 000 DM	Max Ophüls Award (Main Award)
20 000 DM	Award for actors and film setting
10 000 DM	Printed advertisements on cinema tickets
20 000 DM	Award presented for best screen script and presentation
10 000 DM	Miscellaneous expenses for honoured guests

Barrois (2001) emphasises that, although it is named as the main sponsor of the Max Ophüls Festival, the company is not interested in gaining positive publicity or media attention with its involvement. In fact, Barrois (2001) states that it does not intend to reach any marketing communication objectives with the sponsorship of the Max Ophüls Festival, but is involved for purely altruistic reasons. However, the company does receive positive media exposure through its involvement and has been associated with this event for more than ten years (Neurohr, 2001).

The management of Cosmos Direkt decided to become involved with the Max Ophüls film festival in order to reach certain promotional and image-promoting goals, and to show an interest in the community. The market segment that is interested in this event is the same which is targeted by Cosmos Direkt - the critical and informed consumer. Therefore, there is a good match between the sponsored event and the company. The film festival also receives supra-regional exposure through countrywide coverage by a national television channel (Schmid, 2001).

Cosmos Direkt does not utilise the sponsorship agreement to promote any of its products. The company does integrate the sponsorship into its complete marketing communications programme in a number of ways. The festival is mentioned on the website of the company; the name of the company appears on the cinema tickets in order to improve the image of Cosmos Direkt; the company in association with the event is referred to in a regional cultural magazine (“Bewegungsmelder”), and the accompanying website (<http://www.bewegungsmelder.de>, 19.01.2002); an advertisement page is assigned to Cosmos Direkt in the programme booklet for the film festival; a press conference is held; and the

presentation of the award is done by the CEO of Cosmos Direkt together with the Mayor of Saarbrücken (Schmid, 2001).

Cosmos Direkt's aim of the sponsorship is to meet its social responsibility that the company feels it has in the region. The company also hopes that it could act as a promoter of cultural and economical atmosphere at the Saar River. More in line with promotional goals, the company also aims to improve its own image in the region, especially because a large number of employees are recruited there. Many customers live in the area and Cosmos Direkt aims to improve its image as a conscientious company among these persons.

In order to justify its involvement with the Max Ophüls Festival to its stakeholders, Cosmos Direkt has named the following reasons for this engagement:

1. Cosmos Direkt is one of the companies in Saarbrücken with great national importance and image;
2. Cosmos Direkt mainly works with those who independently organise their insurance coverage and investment affairs, and can look further than the immediate situation. Open, critical and informed people are their target market - exactly the same as the interested audience of the young, German-speaking films, which has a fancy for new and unconventional impressions;
3. More than 1000 employees and their families and friends at the Saar look forward to this event - employees, who enjoy this exceptional cultural film occasion and follow attentively whether their employer receives attention for its engagement; and
4. Lastly the company would like to continue a strategy that has proven to be successful in the area of cultural sponsoring. This is why the company concentrates exclusively on the Ophüls price and does not become involved in any other events (Henke, 2001).

As the main sponsor Cosmos Direkt does not wish to stand in the spotlight, but it is happy when it receives some media attention that does not omit Cosmos Direkt's positive aspects from the readers and viewers (Henke, 2001).

## **6.7 THE MAX OPHÜLS FESTIVAL**

The Max Ophüls Festival has become an important annual event in Saarbrücken. It is dedicated to the Saarbrücken born film director, Max Ophüls. The festival was founded in

1980 to promote young German speaking directors. Today it is aimed at promoting new talent in the German film industry, especially young film directors, but also actors and scriptwriters. The duration of the festival is five days and during this time up to 20 young directors are given the opportunity to show their films and qualify for an award. There are different categories in which a director can enter his or her film. An impartial jury consisting of experts in the film industry selects the best films and nominates the winners in each category ([http://www.teletec.de/sbnet/ophuels/English/body\\_english.html](http://www.teletec.de/sbnet/ophuels/English/body_english.html); 15.03.2001).

The Max Ophüls Festival receives countrywide exposure through media coverage by state-owned broadcasting companies (Neurohr, 2001). Each year the festival attracts approximately 20 000 visitors. These interested spectators take this festival as an opportunity to inform themselves about the newest trends in German-speaking film production. Among the visitors are about 500 journalists, which gives an indication of the importance of the festival and the coverage it obtains through various media ([http://www.teletec.de/sbnet/ophuels/english/body\\_english.html](http://www.teletec.de/sbnet/ophuels/english/body_english.html); 15.03.2001).

## CHAPTER 7

### SPONSORSHIP MARKETING BY SELECTED SOUTH AFRICAN INSURANCE COMPANIES

#### 7.1 INTRODUCTION

In this chapter sponsorship marketing by some of South Africa's largest insurance companies are discussed. The objective of this discussion is to compare sponsorships of South African insurance companies with that of Cosmos Direkt. The insurance companies selected were Old Mutual Life Insurance, Sanlam Life Insurance, Metropolitan Life Insurance and Santam Short term Insurance. The basis for this selection was to obtain a brief, representative overview of insurance companies in South Africa. Old Mutual is South Africa's largest life insurance company, with Sanlam in second place. Both these companies target the same market segment of the higher income, higher educated consumer group.

Metropolitan Life is another life insurance company but its focus falls more on the middle to lower income segment. Santam is the largest short-term insurance company in South Africa. The reason for selecting three life insurance companies and only one short-term insurance company is that Cosmos Direkt's main business is the life insurance segment. The company has in recent years, however, also diversified its insurance offerings into the short-term insurance segment. Thus in order to keep this overview and comparison comprehensive and transparent these four insurance companies were selected.

The method used to research the sponsorship marketing strategies of these insurance companies was an interview with the responsible person of each company during which the same questions were asked. The questionnaire was based on the research by van Heerden (2001). As these insurance companies sponsor more than one event, the focus of the interview was put on the event that was the largest in terms of financial support from the relevant company.

#### 7.2 OLD MUTUAL

Old Mutual is the largest life insurance company in South Africa (<http://www.oldmutual.co.za>, 19.01.2002). The company is involved in a broad spectrum of

sponsorships of which sport sponsorship is the largest. Other important sponsorships include music, jazz, choir and a community builder programme (<http://www.oldmutual.co.za/AboutOM/sponsorships/Index.asp>, 19.01.2002). The aim of this community builder programme is to provide financial support to disadvantaged South Africans so that they may start their own business (Sainsbury, 2001).

Chet Sainsbury (2001) pointed out that Old Mutual's total annual budget for all marketing activities amounts to R 250 million. This includes the budgets for sport sponsorships, community marketing, advertisement, media, stakeholder marketing and e-commerce. At the moment the largest part of the marketing budget is allocated to e-commerce. The budget for sports sponsorship amounts to R 20 million annually.

The focus of the sport sponsorships of Old Mutual falls on endurance sports. The company sponsors a number of marathons, including the Two Oceans Marathon and the Soweto Marathon, each with its own specific target market. The Two Ocean Marathon is the largest event Old Mutual sponsors, with a budget of R 3, 7 million (Sainsbury, 2001).

Old Mutual became involved as a sponsor of the Two Oceans Marathon in 2000 after MTN discontinued its sponsorship of this event. The company approached the event organisers with a sponsorship proposal. Old Mutual currently holds a contract with an option to renew after three years for an additional five years. Sainsbury stated that Old Mutual will probably exercise this option and renew the contract (2001).

The Two Oceans Marathon takes place annually on the Easter Weekend and lasts for three days. There are several races of varying lengths to accommodate everyone in the family. Approximately 17 000 participants take part in the event with about 400 international athletes. The prize money for the first place in the Ultra Marathon - which covers a distance of 56 kilometres and is the main event - is R 100 000 for men as well as women. The participants must be at least twenty years of age to enter for this event (Sainsbury, 2001).

The objectives Old Mutual wishes to achieve with this sponsorship is promoting their brand and thereby increasing brand awareness among their target market, including both existing as well as potential customers. The company does not associate any particular product with this sponsorship event. The involvement is intended as a corporate sponsorship with the aim of

promoting the company's name and brand. The event was chosen because it projects a healthy lifestyle, which the life insurance company wants to promote. Old Mutual also aims to create an image among the consumers as a company that is involved in community activities and which makes this event possible. Sainsbury (2001) pointed out that the Two Oceans Marathon is more than a road running event. It brings the community together and provides entertainment for the whole family. The event does not exclude anyone because it is a relatively cheap sport in which any private person can participate. In order to qualify runners must prove that they are active athletes and that they are able to finish a marathon (Sainsbury, 2001).

The sponsorship is integrated into the overall marketing communication programme because the fulfilment of the same objectives is sought. Old Mutual has divided its target market into four sub-segments so that the marketing efforts may be planned and executed more efficiently. The four sub-segments are the high-income group, the middle-income group, the emerging middle market - in which the aspiring black market is included - and the lower income group. Old Mutual aims to reach all these four groups with the Two Oceans Marathon sponsorship because it overlaps into all four sub-segments, while it has a slightly higher impact on the middle-income group (Sainsbury, 2001).

The event is advertised in most other media that Old Mutual uses to promote the company and its products. Examples of these include advertisements in the Road Runner magazine, Old Mutual's website, newspaper advertisements, and radio advertisements on one specific radio station. Sainsbury (2001) stated that for the next year the company has invited all radio stations to tender and make advertisement proposals so that one station may be chosen. In addition to this, Old Mutual sends out press releases of the event. Old Mutual also runs a weekly television programme - Old Mutual's World of Endurance - that is also used as an advertising tool for the Two Oceans Marathon (Sainsbury, 2001).

Each sponsorship by Old Mutual is planned in detail. Before a sponsored event takes place specific objectives are set. The sponsorship is reviewed continuously during the process of implementation. The company regularly checks whether the interim goals are achieved and whether the support functions are executed according to the time plan. After the sponsored event takes place Old Mutual measures the results and compares them to the pre-determined objectives. On the basis of these results the success of the sponsorship is determined and the

company decides whether to continue as sponsor. Old Mutual employs the marketing company Octagon to measure the effectiveness of its sponsorship. Sainsbury stated that Old Mutual is very satisfied with its sponsorship of the Two Oceans Marathon and will continue as its sponsor (2001).

### 7.3 SANLAM

Sanlam is the second-largest life insurance company in South Africa (<http://www.sanlam.co.za>, 19.01.2002). The company is involved in numerous sponsorships with varying degrees of financial support. According to Marty de Lange (2001) the main focus of the sponsorships by Sanlam falls into four main areas. These are education, entrepreneurship, health and welfare, and sport development. Other areas include safety and crime prevention, art and culture, and nature and environment conservation. Sanlam assigns the greatest importance to sponsorships of education, followed by entrepreneurship and sport development. The company selects the events that will be sponsored by comparing applications received from sponsorship seekers with pre-determined criteria, a so-called "blue-print" (van Loggerenberg, 2001).

The biggest sponsorships that Sanlam is involved in are the Sanlam-Burger Cycle Tour and the Sanlam Golf Tournaments. The proceeds of both these events are forwarded to worthy causes - in the case of the cycle tour the proceeds are donated to AIDS research, and the proceeds of the golf tournaments are donated to cancer research. Recently, the company has also begun looking into sponsoring less prominent events, such as choirs and orchestras. The total budget for Sanlam's sponsorship involvements amounted to R 32 million for 2001 (De Lange, 2001). The focus in this discussion falls on the golf tournaments.

The annual Sanlam golf tournaments attract approximately 40 000 golf players in about 600 tournaments around South Africa. The Sanlam Cancer Challenge takes place on a national level between March and October. The golf competition comprises three levels: the club competitions - from March until July - the regional finals - from August until September - and the final, which takes place in October each year (De Lange, 2001; [http://www.sanlam.co.za/conent/reports/ecancer\\_golf\\_general.html](http://www.sanlam.co.za/conent/reports/ecancer_golf_general.html), 19.01.2002).

Sanlam sponsors this initiative with R 2, 7 million and the proceeds go to the South African National Cancer Association (De Lange, 2001). In total, almost R 9 million has been collected

by Sanlam over the past nine years for the fight against cancer. Sanlam highlights that the Cancer Association only receives 4% of its funds from the State. This illustrates the vital importance for the support of such projects by private enterprises ([http://www.sanlam.co.za/content/reports/ecancer\\_golf\\_general.html](http://www.sanlam.co.za/content/reports/ecancer_golf_general.html), 19.01.2002).

According to Gary van Loggerenberg (2001) Sanlam has been involved as a sponsor with the Sanlam Cancer Challenge for the past ten years. The objective of this sponsorship is living the brand at 700 golf days (van Loggerenberg, 2001). Sanlam wants to create a sales platform for its brokers and financial advisors. The main objectives of the company is to demonstrate that it is aware of its social responsibility and that it is a caring company by raising money for cancer research. Sanlam also uses the Sanlam Cancer Challenge to launch new products, for example the 'Big Easy Unit Trusts'. The company is the main sponsor of this event with a number of other co-sponsors. The percentage of the marketing communication budget that is allocated to the Sanlam Cancer Challenge is approximately 30 % (Van Loggerenberg, 2001).

Before the Sanlam Cancer Challenge takes place, Sanlam plans the events. The company sends advisors to each golf tournament who offer information about Sanlam's products and hand out brochures to tournament spectators. During the planning stage a number of leads are generated that advisors need to achieve in order to give each person a measurable goal. The effectiveness of the sponsorship is measured at the competition where the results of each advisor are compared to the leads generated during the planning phase.

Van Loggerenberg (2001) stated that the Sanlam Cancer Challenge addresses all of Sanlam's different market segments. The sponsorship is aligned with the overall marketing strategy of Sanlam. The event is mentioned in Golf media, magazines and other publications. Advertisements and reports about this event are also published in newspapers. In addition to this the company also uses other promotional material in order to support the Sanlam Cancer Challenge (Van Loggerenberg, 2001).

Sanlam considers the Sanlam Cancer Challenge as a success. The overall result of this sponsorship is that new business is generated. The image of the company is also improved and people feel more positive about Sanlam. The Sanlam Cancer Challenge will always form a part of the marketing mix of Sanlam, and should increase in future, according to van Loggerenberg (2001).



Sanlam derives a number of benefits from its involvement with this event. The company regards its contribution towards South African's socio-economic development and welfare as one of the main returns. With this sponsorship Sanlam aims at addressing socio-political challenges, leading to the empowerment of South Africans (Van Loggerenberg, 2001).

#### **7.4 METROPOLITAN LIFE**

Metropolitan Life is another large life insurance company in South Africa (<http://www.metropolitan.co.za>, 19.01.2002). Its main target market is the lower-income group, but the company is currently repositioning itself to also include the middle-income market segment as well. At the moment this insurance company is in the process of consolidating its sponsorship programmes. The main event that Metropolitan currently sponsors is the national championship of Dance Sport South Africa (DSSA). Smaller sponsorships include U19-Soccer tournaments, choir music and the United Cricket Board (UCB), as well as conferences. In the past the company has also been involved as a sponsor of the South African Olympics team. Metropolitan has also been a sponsor of road running events but has withdrawn from this area because it became dominated by Old Mutual. Marke van der Walt (2001) stated that the company plans to reduce its involvement as sport sponsors and rather focus on sponsoring conferences. At the moment the dance competition receives the greatest support. Approximately fifty percent of Metropolitan's two-million Rand marketing communications budget - or two percent of its total marketing budget - is spent on this sponsorship (Van der Walt, 2001).

A new development in the insurance industry according to van der Walt (2001) is that companies such as ABSA, First National Bank and Woolworths are also becoming increasingly competitive in offering life insurance policies. This led to Metropolitan's decision to approach the DSSA and become a sponsor of the dance events. These events are exclusive and cannot be hijacked by other life insurance companies and, therefore, no threat of clutter exists (Van der Walt, 2001).

Metropolitan Life has been involved as a sponsor of the DSSA for the past three years. The competition consists of preliminary rounds in each province where the best dancers qualify for a final competition held at national level. Therefore, the event takes place seven times per year - once per year in each of the six provinces and once at a national level. Participants are

divided according to age groups ranging from seven years to adults. Each competition attracts about 2,000 spectators and is broadcast on television. The main target markets Metropolitan wants to reach with its involvement, as sponsor of the DSSA are the television-viewing audiences, the dancers, attendees and Metropolitan staff. The dance events are broadcast on e-TV and Metropolitan receives good television viewing (Van der Walt, 2001).

The main objective that Metropolitan hopes to achieve with its involvement is corporate brand building and awareness for the Metropolitan Life brand. Van der Walt (2001) pointed out that a good match existed between the event and the company, because both Metropolitan and the DSSA have an image of aspiration. The company wants to reposition itself away from a funeral company (Van der Walt, 2001) and shift its focus to include the middle-income classes. The company aspires to appeal to the middle-income classes and the participants of the dance event aspire to accomplish success in their sport despite having limited income. Metropolitan also aims to leverage the mixture of culture and sport of the Latin American dance events, which are perceived as being glamorous and attractive especially to younger individuals. The dance competitions have a unisex appeal that the company hopes to use to its advantage because research has shown that most decisions regarding life insurance are taken by women (Van der Walt, 2001).

The dance events are not planned centrally and Metropolitan's head office does not have much input. Overall objectives are set centrally at the beginning of the year, but after that each event is planned by the regional or provincial team of the area where the event takes place. Metropolitan has employed ORNICO, which is a research company of television exposure. With the help of this company Metropolitan is able to measure the exposure of television viewers to its brand during the broadcast of the event (Van der Walt, 2001).

Van der Walt (2001) stated that the sponsorship is not fully integrated into the complete marketing communication programme of Metropolitan. No television advertisements are placed but the event is referred to in the internal magazines of the company. The company also receives public relations spin-offs from this sponsorship. Metropolitan is not the title sponsor but the company features on all the magazines and banners and other advertisements related to the dance events. At the beginning of each year Metropolitan draws up a plan together with the DSSA and Rama - the title sponsor - but the company does not have much input (Van der Walt, 2001).

Van der Walt (2001) stated that Metropolitan does not derive the full potential value from this sponsorship. The company will review this involvement in the near future. Metropolitan should research whether the lack of integration of the sponsorship into its marketing communications programme impacts on the lack of its success. The return of investment is in the vicinity of one to one, while the company is looking for a return of one to four. In future Metropolitan will either maintain its current involvement or completely withdraw as sponsor from this event. The company expects to derive a higher return on its investment from marketing sponsorships, such as conferences and trade unions (Van der Walt, 2001).

## **7.5 SANTAM**

Santam is South Africa's largest short term insurance company (<http://www.santam.co.za>, 19.01.2002). Jonathan Cherry (2001) stated that Santam is involved at the moment in a number of sponsorships. At this point in time the company is planning to consolidate its sponsorships and rather focus on three events - the Veritas Wine Awards, Trans Agulhas Rubber Duck Race and the Men's Health Surf Ski competition. The reason for this consolidation is that it is important for the company to be related to only a small number of events instead of a broad spectrum which leads to clutter (Cherry, 2001).

The largest sponsorship event in which Santam is involved is the Veritas Wine Awards. Cherry (2001) stated that the reason for becoming involved in this event was that the company inherited the sponsorship when it took over the Guardian National Insurance company. Guardian National was involved with Veritas for four years prior to the take-over, and Santam has been involved for the past two years. Cherry (2001) pointed out that the reason why Guardian National initially became involved with the Veritas Wine Awards six years ago was that the core target market of that company coincided with the market segment to which the Veritas Wine Awards appeal. The Veritas Wine Awards take place once a year in October. In this competition wine-makers from all over South Africa enter their best wines and receive medals - for example Veritas double gold or Veritas gold - for outstanding quality (Cherry, 2001).

The main objective of Santam's involvement with Veritas is an alignment with its brand positioning. Veritas is the leading wine awards competition and Santam is the leader in the field of short-term insurance. The market segments addressed by both Santam and the Veritas

Wine Awards also coincide with each other. Santam's primary target market is the top income group with a higher level of education and thus includes many wine connoisseurs. There is consequently a good match between the company, the consumers and the event. This sponsorship is considered to be a corporate sponsorship involvement and is therefore not linked to a specific product. The reason for this is that it is difficult to link a short-term insurance product with a specific event (Cherry, 2001).

The sponsorship is integrated into the overall marketing strategy of Santam. It is marketed internally in brochures, as well as externally, for example on the website. Santam is the title sponsor of this event and uses it to leverage its brand by networking with brokers. The company hopes to create a positive association between Santam and Veritas, so that the relationship is perceived as adding value to its products. This is further emphasised by a competition linked to the Veritas Wine Awards where policyholders of Santam products are in a position to win a trip to France (Cherry, 2001).

Santam invests approximately ten percent of its total sponsorship budget in the Veritas sponsorship. However, Cherry (2001) stated that Santam perceives it as difficult to measure the performance of the company's sponsorship involvement. Unlike other promotional tools the effect of sponsorships on the consumer cannot easily be measured. Santam does currently employ a clipping service that collects the newspaper coverage that the company receives with its sponsorship activities. Santam plans to become more organised in this aspect, according to Cherry (2001). The sponsorship is seen as a strategic involvement and the main objective that the company aims to achieve is to earn a return of ten Rand for every Rand that was invested into the sponsorship. Santam plans to accomplish this by gearing the relationship with the event onto the Santam products, and thereby create a positive brand association (Cherry, 2001).

Cherry (2001) explained that although Santam is the largest short-term insurance company in South Africa, and also the largest sponsor in this industry branch, it is not able to compete with life insurance companies in this area. The marketing budget available to life insurance companies, such as Old Mutual and Sanlam, is approximately ten times bigger than that of Santam. Nevertheless, the company plans to continue using sponsorships as a marketing communication tool. The focus will, however, be shifted to the Men's Health Surf Ski

competition, because this event is considered to be more appropriate and successful (Cherry, 2001).

The Men's Health Surf Ski competition is a relatively new project for Santam and the company has only been involved in this event for the past two years. This sponsorship is a two-way relationship between Santam and the event. The event takes place at different locations - Cape Town, Durban, East London and Port Elizabeth - and approximately 1,000 boats are involved sporting the company's name. The reason for becoming involved in this competition was to reposition the brand in order to include younger consumers. Santam gives financial support to this event and has achieved good results. The company plans to continue as a sponsor and will become a title sponsor in 2002 when the event will be known as the Men's Health Santam Surf Ski competition (Cherry, 2001; <http://www.surfski.co.za>, 19.01.2002).

## **7.6 SUMMARY AND CONCLUSION**

The discussion of the sponsorship strategies of the four South African insurance companies make a number of comparisons possible. Each company is involved in more than one sponsorship, with one or two events receiving more attention and financial input than the rest.

The length of sponsorship involvements varies between the companies, but the prevalent trend among all is that the commitment is long-term. The sponsorship is not linked to one specific product by any company, but to the overall brand name of each company. The most important objectives the companies wish to achieve with their sponsorships are also similar. Brand awareness and image improvement were named as the most important objectives, as well as social responsibility.

The overall result leads to the conclusion that the sponsorships are designed to reach all market segments of a company, although some customers are expected to respond more positively in view of their varying degrees of interest in these respective events. In most instances the sponsorships are integrated to some extent into the overall marketing communication programme, so that they could contribute to forming a unique and distinct brand and message. The events are also mostly supported by advertisements in other media ranging from traditional tools – television, radio, newspapers and magazines – to modern communication tools, especially the Internet.

An attempt to plan the sponsorship with measurable objectives was made by all four companies, though with varying degrees of detail. Each company also measures the effectiveness of the sponsorship in different ways. All four companies deem this to be a difficult task, because not many tools are available for measuring this marketing instrument. Another difficulty associated with the measurement of sponsorships is that they overlap with other marketing communication areas and media – for example newspaper reports or television broadcast of the event – which make it almost impossible to draw a research boundary.

Old Mutual and Sanlam are satisfied with their sponsorships and plan to continue their involvement. Santam and Metropolitan Life are still experimenting with the events they want to sponsor, but will continue using some form of sponsorship marketing. The budget allocated to these sponsorships varies between the companies. It is obvious, however, that each company takes its sponsorship involvement seriously and invests a substantial sum in these events.

It appears that no single, clear strategy is followed by any of the companies to select an event for sponsorship. In some cases the insurance company approached the event organisers, but in other cases events were selected from applications by sponsorship seekers. It appears that the companies exploit all possible routes in order to find suitable events.

The companies use their sponsorships to achieve a variety of objectives. The most important of these are brand building and awareness. Other objectives include a positive association between the event, the company and the customers. Apart from these advantages the main benefit of sponsorship marketing as indicated by the insurance companies was that they offered a unique selling point because the insurance company is guaranteed category exclusivity.

Sponsorship marketing forms an integral part of the marketing communication programme at insurance companies. In most cases the message associated with the sponsorship coincides with the messages sent in the other marketing communication media. In addition to this the sponsorship is also supported by other media in order to exploit the full potential from the marketing communication activities.

## **CHAPTER 8**

### **FINDINGS AND CONCLUSIONS**

#### **8.1 INTRODUCTION**

In this chapter the findings regarding the marketing communication activities of Cosmos Direkt are discussed. At first those findings applying to the complete marketing activities of the company will be examined. After this the findings specifically concerning the sponsorship activities of the company will be highlighted. It was deemed important to follow this structure in order to give a brief background of the marketing communication activities of Cosmos Direkt as these have several direct and indirect bearings and implications for the company's sponsorship activities. Cosmos Direkt seems to provide some room for improvement in its marketing communication strategies. In other areas, however, the company has proven its capability to follow a new and innovative path in order to market itself and its products.

Before commencing with a detailed discussion of each separate component of Cosmos Direkt's marketing communication strategy, it should be noted that the company has never in its history conducted any market research. This lack of market research has an impact on every aspect of the marketing communication programme, because this implies that every decision in this area is based on assumptions and guesswork, and are therefore taken seemingly haphazardly.

The lack of market research has some far-reaching implications for almost all areas of business, because the company is not able to pinpoint exactly who are included amongst its target market and what the demographics of the target market are. For the marketing division this means that it is difficult to plan a marketing communication strategy with reasonable and measurable objectives. Neither is it possible to measure the effectiveness and the efficiency of the marketing activities, because the results cannot be compared to satisfactory predetermined objectives.

#### **8.2 DIRECT RESPONSE ADVERTISING**

Direct response advertising tools are the most important marketing communication tools employed by Cosmos Direkt. They could be divided into mailings, television spots and print

media advertisements. These media have in common that they all contain a direct response mechanism so that the consumer can easily contact the company and obtain the desired information.

### **8.2.1 Direct response mailings**

The most important marketing instrument that Cosmos Direkt uses, is its direct response mailings. The contact details of recipients of these mailings are contained in a database. Cosmos Direkt has compiled the information entered in the database from details recorded on application forms and contracts of its customers. This communication tool is appropriate for the direct distribution structure followed by Cosmos Direkt. However, some problems can be detected relating to the database, because it does not seem to be well organised. Data relating to one customer is often duplicated unnecessarily because it is entered incorrectly. This problem could be directly linked to the absence of standardised application forms. Customers give the same details in different formats, according to which the same customer is entered more than once. As a result the same customer will receive more than one copy of the same mailing.

Another problem regarding the mailings is that they have become too standardised and no new information is offered to the recipient. The colours used in the mailings are blue and black on recycled paper, which fails to attract the readers' interest and attention. As a result of these problems the image of the company may suffer, because customers may form a negative opinion of the company.

### **8.2.2 Direct response television spots**

Cosmos Direkt also uses direct response spots on television, always providing a telephone number, so that consumers are induced to react immediately and apply for an insurance product. These spots are aired only on certain channels, and at certain times, and play only a minor role in the marketing communication strategy of Cosmos Direkt. The spots have become somewhat standardised and, therefore, do not attract much attention from the target market anymore.

### **8.2.3 Direct response print advertisements**

Direct response advertisements in newspapers and magazines suffer from similar problems than the corresponding television spots. Again, the advertisements have become standardised



and consequently lose their attractiveness for the customer. Another problem of these advertisements is that they are printed in blue and black. As a result the advertisements seem bland and uninteresting, and blend in with other print material on the same page.

### **8.3 THE INTERNET**

One area in which the company may be considered as a forerunner in its industry is that of Internet marketing. As this marketing communication channel has gained in popularity among businesses and consumers, Cosmos Direkt established its own website (<http://www.cosmosdirekt.de>, 26.02.2001). This website is relatively customer-friendly when compared to the websites of similar companies. The products are listed and explained, and the visitor to the website is able to calculate his or her own premiums. Cosmos Direkt's website is still only in the developing stage and shows great potential to becoming one of the companies' most important communication channels.

### **8.4 RECOMMENDATIONS BY CUSTOMERS**

Cosmos Direkt has developed a sound customer relationship basis. Many new customers are recruited through the company's programme where existing customers recommend Cosmos Direkt and its products to their friends and family. This programme has become an important and successful communication channel. For the company this entails an inexpensive marketing communication channel and Cosmos Direkt enjoys a good return on this marketing tool.

Cosmos Direkt also uses the recommendations it obtains from impartial consumer organisations that test consumer products (for example "Stiftung Warentest"). The company informs its customers of its achievements and ratings through its other communications media.

### **8.5 CO-OPERATION AGREEMENTS**

In the past few years Cosmos Direkt has entered in several co-operation agreements with other companies. These companies are chosen on a basis according to which they may either be linked to a product offered by the company – for example car insurance sold through a service station – or because they follow the same distribution method as Cosmos Direkt - for example OTTO-catalogues.

These co-operation agreements have proven to be very successful, especially because they open up a direct communication channel to customers, who fall in the same market segment that Cosmos Direkt targets. The company gains numerous new customers through this channel with little input costs.

## **8.6 PRESENTATIONS AT UNIVERSITIES AND *FACHHOCHSCHULEN***

Cosmos Direkt has realised the importance of the youth segment of the insurance market. Recently the company began directing some marketing attention specifically to this segment and building up a database on it. It is still too early to evaluate this marketing tool and judge the success of this attempt as it has not been implemented long enough.

## **8.7 SPONSORSHIP MARKETING**

For the past eleven years Cosmos Direkt has been the main sponsor of the Max Ophüls Festival in Saarbrücken, the same city in which the company's head office is located. The festival is a regional cultural event, but is broadcast on national television throughout the country. Cosmos Direkt is the main sponsor of this event, although the company is not the title sponsor. In addition, a number of other companies are also involved as sub-sponsors. Cosmos Direkt's sponsorship project shows both strengths and weaknesses. Because of the general lack of marketing research the effectiveness of the sponsorship by Cosmos Direkt as a marketing communication tool cannot easily be determined.

From Cosmos Direkt's point of view the sponsorship could be classified as a corporate sponsorship because it is not linked to any of the company's products. A tendency may be observed in the insurance industry where sponsorships are not linked to specific products. Not one of the four South African insurance companies which were interviewed, linked one specific product to their sponsorships. As Cherry (2001) pointed out, it is difficult to link a particular insurance product with a special event or occasion. For Cosmos Direkt specifically, another issue should be considered in this regard, namely that the company has only one sponsorship. Therefore, it would be unwise to limit the reach of this event to only a small group of the target market by promoting only one specific product.

The main strong point of its sponsorship is that Cosmos Direkt has been the sponsor of the Max Ophüls Festival for more than eleven years. Over these years the company and the Festival have both grown and expanded. This is an excellent foundation for a successful

engagement between the two parties, and holds great promise which the company is in a position to exploit to reach image and brand-enhancing objectives.

Apart from this, another strong point of this involvement is that it is relatively inexpensive, especially compared to the examples of the South African insurance companies. Cosmos Direkt invests DM 120 000 in the form of prize money into this event. The company, however, does not aim to capitalise on the potential that this sponsorship offers (Schmid, 2001). The festival is broadcast nationally, yet Cosmos Direkt fails to exploit this exposure and publicity to its advantage.

In addition, because this cultural event is located in the same city as the company is another vital strength, also because many employees live in this region. Again, Cosmos Direkt does not fully appreciate the potential that this situation offers to the company in terms of internal marketing.

Finally, the insurance company is only involved in one sponsorship event. Although the South African insurance companies are all involved in more than one sponsorships, it is not necessary that Cosmos Direkt should follow suit. The company is comparatively small and thus it has only limited funds and resources for such an investment. Therefore, it is more sensible for this company to concentrate on one engagement, instead of spreading its scarce resources over a broad range of events.

Generally, the decisions at which Cosmos Direkt arrives regarding its sponsorship involvement are without any scientific foundation as a result of the inadequate attention paid to market research. The main problem lies in identifying the target market of the company. The lack of market research renders the company unable to clearly identify its target market. Consequently, the company also cannot divide its target market into reasonable segments. On the whole the South African insurance companies agree that correct target marketing and marketing segmentation is essential for the success of their marketing communication and effectiveness of their sponsorship marketing.

The main deficiency of its involvement with the festival is that Cosmos Direkt has not determined measurable objectives that it aims to achieve with its sponsorship activity. Therefore, no measurable and reasonable goals are set against which results could be

compared. Hence it is extremely difficult to determine the success or failure of the involvement. Neither has any research on the reach and target market of the film festival been undertaken. The company does not conduct any research before, during or after the event to determine to what extent the sponsorship has affected its image.

The interviews conducted with the four South African insurance companies, as well as literature sources, indicate that the most important objectives of sponsorship involvements are brand awareness and image enhancement. Cosmos Direkt has also indicated that it intends achieving similar goals to these. However, up to the present no written statement has been drawn up in which these goals are expressly spelled out. Cosmos Direkt has not engaged in any research pertaining to its target market. The company also fails to draw up a thorough plan or strategy for the sponsorship before the event takes place.

Cosmos Direkt generally fails to invest in supportive media in order to promote its involvement with the Max Ophüls Festival. The fact that the company is the main sponsor of this film festival is only mentioned as an afterthought, instead of using all the major marketing communication media for advertising purposes. Related to this inadequacy is the failure of Cosmos Direkt to integrate its sponsorship into its marketing communication programme. Therefore, the opportunity for synergy between the different media is lost. The sponsorship involvement is regarded as a completely separate event and does not form part of overall marketing communication strategy of the company.

Cosmos Direkt should be aware of ambush marketing by competitive companies, especially because it is not distinguished from other sponsors as the title sponsor. As the company does not fully plan and follow the sponsorship and its effectiveness, other companies could easily take advantage of this situation.

Despite the lack of convincing evidence, Cosmos Direkt has concluded that the target market most appreciative of the company's products and distribution approach are the critical and informed consumers who have an above-average income and level of education. This coincides ideally with the consumers who are expected to be most favourably inclined towards the Max Ophüls Festival. In McDonald's (1991: 31) words, a *synergy* is sought between the event and the company values. If it is accepted that Cosmos Direkt has correctly

identified its target consumer – even without a scientific basis – it would appear that the company has indeed succeeded in building a synergy between the event and company values.

In conclusion, the lack of marketing research prevents the company from treating the sponsorship as a marketing communication tool. The sponsorship is neither integrated into the overall marketing communication programme, nor is it duly supported by the company's other marketing communication tools. Cosmos Direkt fails to plan the event beforehand, or to measure the effectiveness of its involvement.

Overall, the Max-Ophüls-Festival shows much potential for a successful sponsorship by Cosmos Direkt. The marketing communication strategy employed by Cosmos Direkt offers a sound foundation which may be utilised in order to promote the sponsorship and support it with relevant publicity and advertisements. Cosmos Direkt has a clear business mission and philosophy. The company should use its sponsorship involvement as part of an integrated marketing communication programme to inform its consumers about its mission and philosophy by sending a unique and single message through all channels.

## **8.8 CONCLUSION**

In general the company manages to integrate its marketing communication tools to a satisfying degree, although this does not apply to the sponsorship involvement. On the whole, Cosmos Direkt uses one comprehensive style in its entire media. The same logo is used consequently in all communication media, the same colour combination - blue and black - is used throughout all contact points with the public, and the same message is sent through all communication channels.

This chapter dealt only with the findings of the research of the successful implementation and integration of marketing communication activities by Cosmos Direkt. In the next chapter some recommendations for the improvement of shortcomings that were identified here, will be highlighted. The recommendations are based on the literature study and the empirical research of the four South African insurance companies.

## **CHAPTER 9**

### **RECOMMENDATIONS**

#### **9.1 INTRODUCTION**

The discussion in this chapter centres on recommendations for the improvement of the marketing communication methods employed by Cosmos Direkt. The recommendations are based on the findings and conclusions of the research which were discussed in the previous chapter. The extant literary research, as well as the interviews with South African insurance companies presented in an earlier chapter, form the basis for the recommendations highlighted in this chapter. The structure of this chapter will follow the same structure used in the previous chapter. Therefore, recommendations will first be presented concerning the general marketing communication strategies of Cosmos Direkt, followed by recommendations relating to the sponsorship involvement of this company.

The most important and basic recommendation to Cosmos Direkt concerns the lack of marketing research. Before the company commences with changing any single component of the total marketing communication programme, it should conduct some extensive market research. The importance of comprehensive market research for any company is apparent, because the decisions that have to be taken in the course of business should be based on scientific research. Objectives and controls cannot be set without a scientific foundation, and without control the effectiveness and efficiency of any activity cannot be evaluated. Therefore, it is important that Cosmos Direkt should accept the expense of conducting some comprehensive market research so that it may save on unnecessary costs arising from subsequent wasted marketing efforts.

#### **9.2 DIRECT RESPONSE ADVERTISING**

The direct response advertisement tools consist of mailings, television spots and advertisements in newspaper and magazines. Because of their relatively high costs the direct response advertisements on television and in the print media only play a minor role in the total marketing communication programme of Cosmos Direkt. The company should nevertheless aim at improving these advertisements by varying their format and presentation style. Because the same advertisements have been used for considerable time, they may lose

some of their initial appeal to consumers and their effectiveness may decrease over time. In order to combat this situation, the company should look at producing new and exciting advertisements for these communication media.

Cosmos Direkt should also employ the print media and television more effectively in promoting its sponsorship of the film festival. The discussion on Metropolitan highlighted the important role that television broadcasting plays in the execution of this company's sponsorship activity. Likewise, Old Mutual utilises its weekly television programme, "The World of Endurance," to promote its sponsorship of the Two Oceans Marathon each year.

Old Mutual and Sanlam also use print media - in the form of specialised magazines - to inform consumers of their sponsorship involvements. This illustrates the importance South African insurance companies attach to promoting their sponsorships through print media and television. As the Max Ophüls Festival is broadcast on a state-owned, national television channel, it stands to reason that Cosmos Direkt should exploit the countrywide exposure the festival attains. The company should increase its spending on a national basis in television advertisements during the time the festival is broadcast. It should also insist on being named as the main sponsor in all references to the festival.

Cosmos Direkt's most important marketing communications tool is direct response mailings. The same problem relating to the direct advertisements on television and those in print media also applies to the direct response mailings, because they too have become over-standardised. This may have the result that customers will not even open the mailing because they know what to expect from the contents. Again, the company should aim to change this situation by developing a new and more appealing style of presentation. The company is currently making an effort to correct this problem by modifying the contents in the letters and envelopes, but choices nevertheless remain limited. It should instead attempt to redesign the format and presentation of the letters so that more recipients will read them.

As mentioned in the previous chapter, the company is also experiencing some problems with the information contained in its database. A determined effort should be made to solve these problems by eliminating unnecessary duplications of mailings by means of standardising all its application forms. In this way, the company could ensure that a customer always provides the relevant information in the same format, so that the computer programme can detect

whether the person has already been entered in the database, and does not repeat the process again. In this way Cosmos Direkt is in a position to save unnecessary costs of duplication.

### **9.3 THE INTERNET**

The Internet website of Cosmos Direkt receives positive feedback from the public. The format of the website is user-friendly and useful, and many applications are received through this channel. The company should keep up its good work in this area and always stay abreast of new developments. It is also necessary to change the presentation of the website regularly so that consumers would continue returning, because they may expect to find something new and interesting. Another way in which consumers could be induced to re-visit an Internet website is by placing competitions on the website. Such competitions could then be used to encourage visitors to enter their data in order to win a prize. This data could then be entered into the database and be used to contact prospective customers on a future occasion.

Each of the interviewed South African insurance companies, except Metropolitan, dedicates some space on their Internet websites to their sponsorship events. The Internet offers some special benefits, which makes it one of the best media that Cosmos Direkt could use to promote its sponsorship of the film festival. The Internet has a supra-regional reach and is not limited to the Saarland. In addition to this Cosmos Direkt can also operate the Internet relatively cheaply, because it has an in-house Internet Technology department which is responsible for maintaining the website. This also means that the website can easily be modified and adapted without long lead times and delays.

### **9.4 CO-OPERATION AGREEMENTS**

Cosmos Direkt is involved in a number of co-operation agreements with other companies. The companies chosen as co-operation partners were selected according to certain criteria. These co-operation agreements are designed so that both parties would gain an advantage. These agreements form an important part of Cosmos Direkt's marketing communication programme and should be continued and extended, if possible. Care should, however, be exercised that the public at large and customers do not view the co-operation activities as a replacement for its direct activities. The perception may develop that Cosmos Direkt is not the same cost efficient company as it used to be.



## 9.5 PRESENTATIONS AT UNIVERSITIES AND *FACHHOCHSCHULEN*

About one year ago, Cosmos Direkt began holding presentation about the company and its products at certain universities and *Fachhochschulen* (tehcnikons) located in the area. After the presentation the attendants are encouraged to fill in forms with personal details in exchange for a CD-ROM.

It is still too early to evaluate these presentations and to decide whether they are a success, but Cosmos Direkt should continue to target this market segment. In the near future members of this market segment will enter into employment and they would thus become potential customers of insurance products. Cosmos Direkt could ensure that such persons would have a positive image of the company through these presentations, especially because this market segment is often neglected by other insurance companies.

## 9.6 SPONSORSHIP MARKETING

In the previous chapter Cosmos Direkt's failure to integrate its sponsorship involvement into its complete marketing communication programme was highlighted. The interviews with the South African insurance companies illustrated the importance of integrating the sponsorship into the marketing communication programmes. Especially Old Mutual and Sanlam, who were most satisfied with their engagements, emphasised the importance of synergy in their marketing communication activities.

Cosmos Direkt should make a greater effort in planning its sponsorship, especially concerning the setting of objectives. As a result of the interviews with the South African insurance companies it was found that sponsorships are expected to reach a variety of objectives. The most important objectives named by the insurance companies were, however, brand and image building, and awareness. Cosmos Direkt should endeavour to exploit its involvement to a greater extent and capitalise on the potential the sponsorship offers for image building and creating brand awareness. Before the company can acieve this, however, it is extremely important that it should conduct some comprehensive market research. Only once the company is able to identify its target market, would it be in a position to set reasonable objectives for its marketing communication tools, including its sponsorship. The objectives are necessary so that the effectiveness of the marketing tools may be measured by comparing the results to the predetermined objectives.

Setting objectives is not only important for the planning stage of the sponsorship strategy. Clear and measurable objectives are especially important when the involvement is measured after the event has taken place. The pre-determined objectives are compared to the actual results achieved by the sponsorship and conclusions are drawn from this comparison. The company is then able to determine whether or not its sponsorship was successful in achieving the objectives and how the strategy could be adapted or modified in order to improve its chances of success. Finally, the company may also decide to discontinue its involvement if the sponsorship should have completely failed to achieve its objectives.

Each of the South African insurance companies indicated that they follow a plan and work out a strategy before the sponsored event takes place. This strategy plan includes objectives as well as other important guidelines, for example concerning supportive media to promote the event. After the event has taken place, it is measured. Some companies stated that they employed an outside company to measure the effectiveness of the sponsorship. The South African insurance companies agreed that it is difficult to measure sponsorships but emphasise the importance of this procedure. The insurance companies base their future decisions concerning the sponsorships on the results they obtain from these measurements.

Another important tool that Cosmos Direkt could emulate from the South African insurance companies is to do market research. This activity is critical so that Cosmos Direkt may identify its target market and divide it into reasonable segments. The South African insurance companies stated in their interviews that the market segmentation was an important principle for successful marketing. Dividing the market into meaningful segments ensures that the marketing communication activities are more efficient, because specific customers could be targeted more effectively.

It is also important that Cosmos Direkt publicly states that it is the main or title sponsor of the Max Ophüls Festival. The company should use its other marketing communication media to proclaim its involvement, and to support the sponsorship by advertisements and promotions. Cosmos Direkt should insist on becoming the title sponsor, because it entails various benefits for the company. In comparison to the South African companies, one can observe that only some of these are title sponsors of the events they sponsor, like Sanlam in the Sanlam Cancer challenge. Santam is striving to become title sponsor of the surf-ski event in 2002, because it expects a greater return on its investment. Old Mutual is not the explicit title sponsor of the

Two Oceans Marathon. However, this insurance company has become synonymous with long-distance running and marathons to such a degree that it is automatically associated with this event. It should be borne in mind that Old Mutual also sponsors a large number of smaller, local marathon events. From this it may be concluded that the companies attach some importance to be associated with an event as the main sponsor. Another reason why Cosmos Direkt should publicly announce its status as main sponsor of the Max Ophüls Festival is to avoid becoming a victim of ambush marketing by other, competitive companies.

The fact that Cosmos Direkt has been sponsoring the Max Ophüls Film Festival for more than ten years is a great advantage. The interviews with the South African insurance companies showed that they consider a lengthy relationship between the sponsor and the sponsored event as a benefit. Although the duration of a sponsorship relationship varied between the four insurance companies, the prevalent trend was towards a long term commitment.

Another recommendation to Cosmos Direkt is that the sponsorship should be integrated into its overall marketing communication programme, so that a synergy is built around one business message. The discussion on South African insurance companies has shown that each company has to a certain degree integrated its sponsorship into its overall marketing communication programmes. Especially Old Mutual and Sanlam - who were most satisfied with their sponsorships - are adamant about the need to integrate their sponsorship activities into their overall marketing communication programmes. Cosmos Direkt completely fails to do this, as interviews with its marketing personnel as well as a revision of its marketing communication materials have shown.

Closely linked to the integration of the sponsorship into the overall marketing communication programme is the need to support the event with other communication instruments. Integration, on the one hand, occurs when the sponsorship event is aligned with the overall image of the company, the objectives for the sponsorship are similar to those of the other marketing tools and all the marketing communication vehicles are employed in synergy to convey a uniform message.

The supportive task of the other communication tools, on the other hand, is to attract attention to the sponsorship activity and to promote the event to the customers and the greater public. The above-mentioned four South African insurance companies all stated that it was important

to use other media to promote their sponsorships. Especially Old Mutual and Sanlam employ other supportive communication tools to attract attention to their sponsorships. Following are some suggestions and possibilities in which the sponsorship engagement could be integrated into the other marketing communication channels and supported by these.

The database and the mailings may be used to send information leaflets to existing customers some time before an event takes place. These leaflets should contain information about the upcoming event and the role that Cosmos Direkt is playing in making it possible. An invitation should be included so that the recipient feels directly addressed. Other information which could be contained in the leaflets would include information on the specific films that will be shown, as well as information on past success stories. The company may even consider including complimentary programme booklets in the mailings to its customers. In this case, however, the costs should be calculated before a final decision is made.

The event should also be publicised in the print media and television spots. Some preview clips may be shown in order to awaken some curiosity among the viewers. In this way people who are not yet customers of Cosmos Direkt may be reached and addressed. The television spots and printed advertisements should refer to Cosmos Direkt as the main sponsor and explain its involvement with the event. The importance that the South African insurance companies attach to print media and television for promoting their sponsorship involvement has already previously been indicated.

The Internet offers a wide range of possibilities for promoting the film festival and Cosmos Direkt as the main sponsor. The extra costs involved are minimal compared to the advantages that could be gained. Cosmos Direkt should dedicate a special website to the event and its part in making it possible. The website should contain information on the film festival - how and when it began, after whom it was named, previous success stories, information on the directors and the films that have been entered for the next festival, and other interesting information. The website should also contain preview clips of the films that will be shown at the next event. After the event has taken place, feedback could be posted on the website and interaction be encouraged from the visitors. A competition could also be launched through this medium where visitors could win an attractive prize. By conducting a poll in advance the company can ensure awareness of and even interest in its involvement with the film festival. South African insurance companies have also discovered the possibilities that the Internet

offers regarding general promotion and also specifically for their sponsorships. As this is still a relatively new medium the companies are still in an experimental phase. However, it could not be denied that the Internet offers numerous opportunities to marketers.

The co-operation agreements may be used in a similar way as the mailings, as the latter are also mainly used in this communication channel. Cosmos Direkt should, however, exercise some care in marketing the sponsorship through this medium in order to prevent any confusion relating to sponsor-ownership that might arise between it and the co-operation partner.

The communication channel that opens through the above recommended actions could also be employed in order to promote the company's involvement with the event as the main sponsor. The gifts that are sent to the recommending customer could be accompanied by an invitation and a programme of the festival, or an information leaflet. After a customer has made a certain number of recommendations he or she may even receive a complimentary ticket to the event. This should then also be advertised through the other media.

The presentations at universities and technikons (*Fachhochschulen*) are also ideal for promoting the sponsorship. Information leaflets and programme booklets could be handed out at these presentations and students invited to the screenings. Research has shown that this specific segment reacts positively towards sponsorships and the company could certainly capitalise on this situation.

The discussion of the South African insurance companies has shown that it is not absolutely necessary that Cosmos Direkt links a specific product with its sponsorship. In fact, none of the South African insurance companies that were interviewed associates a product with its respective sponsorships. Rather, these companies apply a sponsorship strategy to promote the company's name with its sponsorships and they utilise their engagements as vehicles for corporate image building objectives.

Finally, it is important that Cosmos Direkt should consider building a match between the company and its products, its target market and its film festival sponsorship. The South African insurance companies have succeeded in building a strong link between the company, their customers and the relevant events. It is interesting to note that the life insurance

companies focus mainly on a healthy lifestyle or health-related issues. Old Mutual and Metropolitan sponsor sporting events, while Sanlam sponsors a golf event with the aim of raising funds for cancer research. Santam, as a short term insurance company, focuses on a wealth-related issue, namely wine collection. According to the target market that has been set for Cosmos Direkt by its board of directors, there is a good possibility for building a strong link between the film festival, the customers of Cosmos Direkt and the company itself.

Whereas each of the South African insurance companies is involved in more than one sponsorships, Cosmos Direkt only sponsors one event. Because Cosmos Direkt mainly operates on a regional basis in the Saarland, and also because of its relatively small size when compared to the South African companies, it is more reasonable to expect that Cosmos Direkt should only focus on this one event. Its involvement with only this one event should be more rewarding for Cosmos Direkt instead of spreading its resources over a greater number of sponsorships. Later on, when the company may extend its operations into the rest of Germany and has grown in size, it may consider other sponsorship options.

In the event that Cosmos Direkt may come in a position where it seems beneficial to engage in another sponsorship, it should exploit all its possibilities in order to select a suitable event or organisation. The interviews with the South African insurance companies have shown that none of the companies follows a specific plan in order to select an event. Instead, the companies consider a wide variety of possibilities. In the case of Sanlam, for example, the usual method of choosing an event is to compare applications from sponsorship seekers against pre-set guidelines. Old Mutual, again, played a more active role in securing the sponsorship of the Two Oceans Marathon when the company approached the organisers of the event. However, it seems that all companies recommend that both the active and the passive method should be employed, because these simply offer a wider range of possibilities to the company.

One final criterion to South African insurance companies attach some importance in their sponsorship strategies, is the social responsibility aspect of their sponsorships. This means that the companies aim to show that they are socially responsible and interested in society. Sanlam, for example, sponsors an event in order to raise awareness of cancer and to collect funds for cancer research. Metropolitan and Old Mutual sponsor events - the DSSA dance competition and jazz and choirs respectively - that may otherwise not take place without this

private funding. This aspect also plays a vital role in the selection stage of the sponsorship strategy. The increasing need for private funding of events and organisations which may otherwise not take place, has also been highlighted in other literature. The same principle applies to Cosmos Direkt's Max Ophüls Film Festival, which may be discontinued without the private funding.

In conclusion, the most important example by the South African insurance companies that Cosmos Direkt could follow, is to conduct some comprehensive market research. Cosmos Direkt needs a scientific foundation on which it could base its marketing communication decisions. The results from the marketing research will give the company more security regarding the accuracy of its strategies. In addition, the company will be in a position to select meaningful and quantifiable objectives for its marketing communication tools. The effectiveness of these tools in reaching their objectives can later be determined by comparing the results to the objectives.

Although only two of the four South African insurance companies cited in this study are absolutely satisfied with their sponsorships, all companies agreed that sponsorship marketing would always form part of their marketing communication programmes. This illustrates that the companies value the contribution that sponsorships play in achieving their overall communication objectives, and also that sponsorship marketing is considered as an equal marketing communication tool together with the more traditional instruments. Therefore, it is advisable that Cosmos Direkt should not treat its sponsorship as a separate issue. The company should rather pay more attention to its sponsorship and integrate it into its overall marketing communication strategy in order to earn an optimal return on its investment.

## **9.7 CONCLUSION**

As has been shown, Cosmos Direkt has numerous opportunities to integrate its sponsorship marketing engagement into its complete marketing communication programme. The company should utilise at least some of these options in order to exploit its involvement to a greater extent than it does at present. Because of the absence of marketing research, Cosmos Direkt is unable to set any specific marketing communication objectives. This also applies to all other marketing communication instruments and affects Cosmos Direkt's overall business strategy. Cosmos Direkt should attempt to remedy this situation by conducting extensive market research.

It has been mentioned before that sponsorship marketing functions exceptionally well in reaching objectives related to building a positive image of the sponsoring company. Cosmos Direkt should, therefore, utilise its involvement in the film festival to reach this objective, so that it may be perceived as a company that is not only concerned with its public image, but also with its environment and the community. This becomes increasingly important as the company grows and expands over the borders of the Saarland into the rest of Germany.



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## APPENDIX 1

### QUESTIONNAIRE ON SPONSORSHIP PROGRAMMES BY INSURANCE COMPANIES

1. What events or organizations does the company sponsor?
2. How long has the company been involved with that event or organization?
  - *Biggest i.t.o. money*
3. What objectives does the company aim to reach with its sponsorship involvement?
  - *Image enhancement?*
  - *Awareness?*
  - *Profit-/sales-related objectives?*
  - *Hospitality of stakeholders (e.g. shareholders, investors)?*
  - *Philanthropic? Charity? Social responsibility?*
  - *Niche marketing?*
  - *Corporate image improvement, i.e. corporate sponsorship?*
  - *Enhance awareness for a specific product, i.e. product linked?*
4. Who is the target market of the sponsorship involvement?
  - *Customers?*
  - *A certain market segment?*
  - *Employees?*
  - *Shareholders/investors?*
  - *The government/social groups, etc.?*
5. Is the sponsorship involvement integrated into the complete marketing or communications programme? How is it integrated ?
6. How is the sponsorship involvement planned?
  - *With measureable objectives?*
  - *Planned from the beginning and evaluated at the end?*
  - *Is a written plan drawn up?*

7. Is the effectiveness of the sponsorship measured? How is it measured? When is it measured?
8. What is the overall result of the sponsorship involvement?
9. What percentage of the marketing communications budget is allocated to the sponsorship?
10. How are the events selected that will be sponsored?
  - *Applications received from the sponsorship seekers?*
  - *Board of director or some other decision maker in the company?*
  - *Deliberate search by marketing division?*
11. How extensive is the involvement?
  - *Only named as the main sponsor?*
  - *Also sponsor of equipment?*
  - *Broadcasting rights?*
  - *Sole sponsor?*
12. What promotional tools and instruments are used to support the sponsorship?
  - *Tied into other marketing communication, i.e. TV, radio, magazines, newspaper?*
13. How often on an annual basis does the event take place?
  - *Once , twice, four times, more often?*
14. What are the future predictions for the employment of sponsorship marketing by the company? Will the company continue to use this marketing tool; increase the use; or reduce its involvement?
15. What does the company regard as the main benefits offered to the company by the sponsorship?