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Dissertation

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“Cultural sponsorship in Germany and its transferability to Peru”

Vallendar, 2006

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“Cultural sponsorship in Germany and its transferability to Peru”

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1. INTRODUCTION

1.1 Focus of the thesis, motivation and purpose

Cultural sponsorship is a communication tool increasingly used by corporations in recent decades that links firm's characteristics to those of the sponsored field. Cultural sponsorship is, in opposition to fundraising, a business, a real partnership between society and culture.

A sponsor is a promoter, a founder or a service provider. A central sponsorship criterion is the expectation of getting a matching service. Cultural sponsorship is the name given to the involvement of economic activities in the cultural field.

For this dissertation the word "cultural" needs to be delimited. According to the UNESCO framework¹ and the conventional uses of cultural sponsorship in Germany the connotation of culture for this dissertation corresponds to the following categories: Cultural heritage, printed matter and literature, music, performing arts, plastic arts, and cinema and photography. The other categories considered in the UNESCO framework, not considered for the objectives of this work are: radio and television, socio-cultural activities, sports and games, nature and environment, and public administration of culture.

Cultural goods are exceptional and it is relevant to distinguish them from other goods.

"It may be a bridge, a piece of wood; or a temple, a windmill, a painting, a piece of furniture, a mask, a jewel, or a bead. Whatever it is, it is a good that is different from other goods. It is different because people treat it differently. They may consider it a symbol of something—a nation, a community, a tradition, a religion, a cultural episode--, and endow it with all kinds of meanings over and beyond its usefulness. They may attribute to it artistic, aesthetic, sacred or other special qualities. They may draw inspiration from it, and may find that it irritates or abhors others. In other words, the good has cultural values. That is why we call it a cultural good."²

¹ See Horowitz (1982, p. 4 – 10)

² See Klamer (2000, p. 1)

The economic importance of culture is arguably large, given that it is partially non-rival and non-excludable. Culture also may produce significant positive or negative externalities on the mores and customs of a nation. These characteristics, among others, between culture and other goods enhance the overall significance of this field to society above that as traditionally considered.

Creating value within an organization is possible through a number of activities along the value chain.³ Sponsorship falls in an organization within the marketing and sales field on the value chain.

The objectives of this research are:

- 1) To interpret the cultural sponsorship problem in an economic approach, and
- 2) To explore how German firms manage cultural sponsorship in order to find success factors to be transferred to subsidiaries in Peru

Cultural sponsorship in the Federal Republic of Germany is largely the role of the state either directly or indirectly (through taxation). However, the private sector is also committed to complement the state's support. Germany's cultural promotion system may be described as "organized by the federal government" and it brings together various public and private organizations; funding is provided in a decentralized fashion with preponderant state support. German companies particularly favour cultural sponsorship as an innovative tool that sets them apart from the rest and that allows them to pursue certain goals of their communications' policy. Psychological goals include the influence exerted by brand loyalty, corporate image, increased product recollection, worker motivation or contacts with members of certain groups through the attention paid to their interests. These psychological constructs may influence economic results to achieve certain objectives.

For the first aim hence it has not been proved that sponsorship does operate in the same way as mainstream advertising, following the researchers tendency that view sponsorship as a form of advertising -with the same characteristics and principles- the economic analysis of sponsorship may be considered that way.

For the second aim AUDI AG and SIEMENS AG are German firms with a subsidiary in Lima- Peru engaged in cultural sponsorship that match the selected criteria to choose

³ See Jost (2000, p. 86)

both firms that had given their support to this dissertation in different ways, in the form of documentation, web-links or interviews. The branch where AUDI belongs (mobility) has a 48% of participation in cultural sponsorship activities; the branch where Siemens belongs (electronics and services) has a 59% of participation in sponsorship activities; according to German empirical research developed in the last years. The cases will deepen the interpretation of the cultural sponsorship phenomenon.

To analyze cultural issues in developing countries -like Peru- has some particular connotations. A quotation that synthesizes the concerns about this issue, and gives at the same time a justification is the following:⁴

“Dedicated development experts, keen on feeding the hungry and banishing poverty, are often impatient with what they take to be premature focusing on culture in a world of manifold material deprivation. How can you (so the argument runs) talk about culture...while people succumb to starvation or under-nutrition or easily preventable disease? The motivation behind this criticism cannot be dismissed, but the artificially separatist – and stage-wise – view of progress is unreal and unsustainable. Even economics cannot work, as Adam Smith noted, without understanding the role of “moral sentiments”, and Bertold Brecht’s note of cynicism, in his Threepenny Opera, “Food comes first, then morals”, is more a statement of despair than of an advocated priority”

This dissertation is of special interest in Peru, since the most important goal –mentioned in the Peruvian cultural policy- is to create and put in practice new structures to support the culture. The above-mentioned document suggests a decentralized and democratic dynamic to include all sectors in the cultural development in Peru. Cultural sponsorship has a considerable qualitative impact in cultural politics, even when they represent a relatively small proportion of programming budgets.

The formal objective from applying cultural sponsorship in Peru is to benefit from the German marketing strategies. Nevertheless - as a researcher’s personal dream- the dissertation may contribute to the Peruvian cultural promotion.

⁴ See Sen (1998, p. 317)

1.2 Literature review

A review of the literature in the field of cultural sponsorship reveals the relative abundance of publications about the application of this tool, as well as the results of numerous surveys on corporations. There is a lack of theoretical research of cultural sponsorship in an economic approach.

The articles considered for this review were published in journals or presented in International Conferences. Just the main International and German articles in this field were mentioned. Only articles published in German, English or French (all languages understood by the author) were included.

In order to assure a systematic review of the literature of cultural sponsorship, a classification of the research in three main areas is worth. The first area explores the nature of cultural sponsorship. (See table 1) It includes definitions of sponsorship, identification of characteristics, development of sponsorship in specific country or area, perceptions, and relation to other communication tools.

Research area	Author (year)	Main objectives	Study type and scope
Nature of cultural sponsorship - Definitions of sponsorship - Identification of characteristics -Development of sponsorship in specific country or area -Perceptions - Relation to other communication tools	Hermanns (2004, 2002)	Sponsorship trends	Empirical (Germany)
	Gilhespy and Reavill (2001)	Relationship between firms and performing arts provision	Analytic (England)
	Mulcahy (2001)	Trends and tradition	Descriptive (International)
	Winkler (2001)	Guidelines to communal arts promotion	Descriptive (Germany)
	Hermanns (2000)	Sponsorship trends	Empirical (Germany)
	Brannasch (2000)	Sponsorship trends	Descriptive (Germany)
	Fischer (1999)	Arts sponsorship.	Descriptive (Brasil)
	Sauvenet (1999)	Arts sponsorship	Descriptive (France)
	Hermanns (1998)	Sponsorship trends	Empirical (Germany)
	Zimmermann (1997)	Status quo of cultural sponsorship	Empirical (Germany)
Kirchberg (1995)	Relationship between state of the city and arts sponsorship	Analytic (USA)	

	Bruhn and Pristaff (1993)	Sponsorship survey	Descriptive (Germany)
	Colbert and Turgeon (1992)	Bibliography on arts sponsorship	Descriptive (International)
	Gagnon (1991)	Private financing of arts	Descriptive (Quebec)
	Nemoto (1991)	Corporate support of the arts	Descriptive (Japan)
	Püttnam (1991)	“Perpretators” and practices of music sponsorship	Descriptive (Germany)
	Hummel (1989)	Arts sponsorship	Descriptive (Germany)
	Wolton (1988)	Development and objectives	Descriptive (Europe)
	Bruhn and Wieland (1988)	Sponsorship survey	Descriptive (Germany)
	Gross et al. (1987)	Factors contributing to growth of sponsorship	Descriptive (North America)
	Pohl (1987)	Arts sponsorship	Descriptive (Germany)
	Goody (1984)	Role of sponsorship in arts financing	Descriptive (USA)

Table 1: Research area – Nature of cultural sponsorship Author’s own construction

This review reveals that research in cultural sponsorship initiate in the mid-1980s and began to increase in the early 1990s especially in Germany. As a relative new field of research the first stream shows much literature that describes the development of cultural sponsorship or defines the principal characteristics. Some articles in the first research area analyse cultural sponsorship as a new creative communication tool by describing the development of cultural sponsorship in a given country or specific area.

As an example Hermanns (1998, 2000, 2002, and 2004) reports a very detailed investigation of sponsorship trends in Germany. Other research at the macro level focus on Brazil (Fischer, 1999), France (Sauvenet, 1999), Japan (Nemoto, 1991), USA (Moody, 1984) and specific areas such as Quebec (Gagnon, 1991).

These studies may have been necessary to establish cultural sponsorship as a main practice and topic of research but they only show an increase in sponsorship activity without providing any explanation for it.

The second area explores management of cultural sponsorship (See table 2), and includes corporate motivations and objectives to sponsorship culture, description of target groups and planning, evaluation, and control of sponsorship activities.

Research stream	Author (year)	Main objectives	Study type and scope
Management of cultural sponsorship -Corporate motivations and objectives -Description of target groups - Planning - Evaluation -Control	Leclair and Gordon (2000)	Distribution of corporate giving for artistic activities	Empirical (USA)
	O'Hagan and Harvey (2000)	Reasons to sponsor arts events. A classification	Analytic (Ireland)
	Burmann (2000)	Success control	Descriptive (Germany)
	Grohs-von Reichbach (1999)	Effects control	Descriptive (Germany)
	Grünstein (1999)	Evaluation of sponsorship	Analytic (International)
	Groll (1999)	Controlled sponsorship	Descriptive (Germany)
	Stettler (1999)	Sponsorship management	Descriptive (Germany)
	Drosten (1998)	Synergic in marketing mix	Descriptive (Germany)
	Amstad (1994)	Control of sponsorship effects	Descriptive (Germany)
	Zastrow (1994)	Determination of target groups	Descriptive (Germany)
	Turgeon and Colbert (1992)	Decision process in corporate arts sponsorship	Descriptive (France)
	Vanhaverbeke (1992)	Evaluation of business sponsorship in the arts	Descriptive (Flanders)
Peeters et al. (1991)	Evaluation of arts sponsorship	Empirical (Belgium)	

Table 2: Research area: Management of cultural sponsorship. Author's own construction

Several articles in the second research area focus on the importance of managerial aspects of cultural sponsorship. Five dimensions of sponsorship management have emerged from the research: Corporate motivation and objectives, determination of target groups, planning, evaluation and control. In the cultural sponsorship literature the last two topics have received considerable attention especially in Germany. Some managerial aspects are not been taken in consideration -so far- by researchers like organizational structure, personnel requirements or budgeting.

Researchers have attempted to identify the reasons why businesses invest in cultural sponsorship. O'Hagan and Harvey (2000) proposed on the basis of a survey to 69

companies that had sponsored 129 arts events in Ireland a classification of the motivations for companies to sponsor arts: promotion of image/name, supply chain cohesion, rent-seeking and non monetary benefit to managers/owners. LeClair and Gordon (2000) study the reasons for corporate support for cultural activities in the USA, and conclude in an empirical research that promotion of the firm is a key motivation behind supporting the arts but is not a determinant of supporting other fields.

Several researchers have attempted to describe the audience targeted by cultural sponsorship. An example of such research is Zartrow (1994). However, the particular type of sponsorship, in this case cultural sponsorship, may not be as important strategically as how the sponsorship is leveraged.

Integral evaluations of sponsorship management are needed. Such studies would tie the management of any given corporate sponsorship to its objectives and to the characteristics of cultural sponsorship.

The third and last area explores the measurement of cultural sponsorship effects. (See table 3) The effects analyzed in specific sponsorship cases are among others reputation effect, customer loyalty, employees' motivation, as well as advertising and promotion leverage on sponsorship effectiveness.

Research area	Author (year)	Main objectives	Study type and scope
Measurement of cultural sponsorship effects -Reputation effect -Customer loyalty -Employees motivation -Advertising and promotion leverage	Schwaiger (2005)	Measure of reputation effect	Empirical (Germany)
	Schwaiger (2003)	Measure of effectiveness in customer loyalty of bank clients	Empirical (Germany)
	Schwaiger (2002)	Measure of effectiveness in employees motivation	Empirical (Germany)
	Schwaiger (2001)	Measure of effectiveness of sponsorship activities	Empirical (Germany)
	Quester and Thompson (2001)	Advertising and promotion leverage on arts sponsorship effectiveness	Empirical (Australia)
	Lönneker (1997)	Effects of sponsorship	Analytic (Germany)
	Kippes (1997)	Effects of sponsorship	Analytic (Germany)
	Alexander (1996)	Effects of corporate support on arts museums	Analytic (USA)

Table 3: Research area: Measurement of cultural sponsorship effects. Authors own construction

Finally, in the third area of research a small number of researchers have evaluated cultural sponsorship's effects over the past years. Furthermore there was a reluctance of businesses to measure the effect of their investments as sponsors. Schwaiger (2001, 2002, 2003, and 2005) has developed a research series, beginning with a general empirical work about the effectiveness of cultural sponsorship, and following with the specific measurements of employees' motivation, customer loyalty in bank clients and reputation related to cultural activities sponsored by the firms. This stream seems to be still in its early stages of development.

Not included in the tables, the Isidoro Mazza⁵ paper has to be mentioned. This is the unique research that analyses in a microeconomic way patronage and sponsorship. The author formalizes the problem of donations and considers altruism as a main variable in his analysis. The idea of the necessity for the formalization of cultural sponsorship is worth.

The presented research state shows that research has deal with interesting individual aspects, but there is neither an economic based analysis, nor an integral evaluation of sponsorship management. This work can contribute so to the researchers' discussion:

- It offers an economic interpretation of cultural sponsorship
- It develops a holistic framework for a case study about cultural sponsorship's management in Germany
- It discusses the transfer of the German management model to a subsidiary in another country: Peru
- It analyses the issue from the point of view of the sponsoring firm

This dissertation offers this way a further building block in the cultural sponsorship research.

⁵ For an extensive explanation see Mazza (1994)

1.3 Outline of the study

Following the introductory presentation there is a brief description of the outline of the investigation.

- Chapter 2 explains the methodology to be applied for this dissertation. This chapter has two parts: the first one is an overview of the theoretical research framework, and the second one is a general description of the operative implementation.
- Chapter 3 defines the concepts of culture, society, and enterprise. Culture is defined as arts, the society is considered as the traditional western society, and enterprise is a business organization, a firm. The relationship between culture and society, and culture and enterprise are analyzed comparing, synthesizing, and discussing different theoretical approaches.
- Chapter 4 develops the cultural sponsorship's theoretical framework. This chapter includes the definitions of sponsorship, and cultural sponsorship. In the next section the economic analysis of the issue is included, where cultural sponsorship is interpreted in different models of product differentiation and advertising. In the last sections different strategic and operative management approaches -regarding sponsorship- are discussed, in order to develop a theoretical framework to apply for the case studies.
- Chapter 5 describes how cultural sponsorship works in Germany. Germany has a long artistic tradition in different artistic genres. The research analyses characteristics of the German cultural policy as well as of the cultural audience. The AUDI and the SIEMENS cases are analyzed to gain a deeper understanding of how German firms use cultural sponsorship as a strategic tool.
- Chapter 6 describes the Peruvian conditions for cultural sponsorship. Peru is a land of millenary cultural and artistic tradition. The chapter shows also an overview of the Peruvian cultural policy as well as of the potential cultural audience in Peru.
- Chapter 7 is about the discussion about the implementation of the German model in Peru.
- Chapter 8 summarizes the analysis and explanations developed in this dissertation.

2. METHODOLOGY

The next sections offer an introduction to the methodical basic principles of this investigation. A first step describes the theoretical framework for the analysis of cultural sponsorship. This allows drawing a deduction from own success criteria related to potential effects of cultural sponsorship in enterprises, and incorporate the investigation into the economic and marketing theories. The analysis begins with the broad general theory and narrows the concepts until to match cultural sponsorship in between. The significance of the theoretical concepts is included in the development of the section. A second step deals with the model design and with a case study associated to the model in order to discuss the transferability of the management aspects of cultural sponsorship in Germany to Peru. The limitations of the operative implementation of this investigation are commented.

2.1 Theoretical framework

An organization is an entity where different persons interact in order to achieve individual and collective goals.⁶ Organizational goals can be very different; the nature of needs is economic and material but also social, societal among others.⁷ In order to analyze the achievement of their goals, organizations can be interpreted as decision systems⁸ i.e. the organization members are the economical actors, and transactions between the members occurred to create value. Organizational decisions' behavior results from a behavior based on the division of labor in the decision-making process in the organization. So in this approach the strategic behavior of the different organizational parts have to be taken in consideration.⁹

2.1.1 Individual economic theories as framework to investigate cultural sponsorship

In the industrial economics literature, the strategic interaction is a main topic, where a firm encounters an active environment. Firms can use many tools to compete in a market. In a gross simplification they can be classified according to the speed at which

⁶ See Jost (2000, p. 12)

⁷ See Milgrom and Roberts (1992, p. 22)

⁸ See Jost (2000, p. 137)

⁹ See Jost (2000, p. 169)

they can be altered. In the short run price is the main tool that a firm can easily change; in the somewhat longer run product characteristics can be altered, and the consumer perception of the product can be modified by advertising. In the long run product characteristics and cost structures may be changed. In the second case where product characteristics can be altered, the central issue is product differentiation; product differentiation can be considered in price competition and also in non-price competition.¹⁰

Product differentiation establishes clienteles (“market niches” in the business language) and allows firms to afford some market power over these clienteles. Hence firms usually want to differentiate from their competitors. In product differentiation models, the markets are considered as places where each client consumes maximal one good. A complete description of a good comprises all the characteristics that play a role for the potential consumers. Consumers have also different characteristics that influence their willingness to pay for a good. Special cases in product differentiation are vertical- and horizontal product differentiation. Vertical product differentiation exists when the preferences of consumers coincide regarding products characteristics. Their choice is about the higher product’s quality. Horizontal product differentiation exists when consumers evaluate different the products characteristics, the purchase decision depends here on consumer’s characteristics.¹¹ A special case is the spatial competition.¹²

As said before advertising can modify consumer perception of a product. “Advertising is a method of differentiating, in the eyes of consumer, the products of one firm from those of its competitors; it is a method, therefore, of reducing the scope and the effectiveness of price-competition by attaching a strong element of “goodwill” to each firm.”¹³ By engaging in advertising, a firm can control to some extent, the degree to which is product is differentiated from the products of competitors.¹⁴

¹⁰ See Tirole (1989, p. 205)

¹¹ See Bester (2003, p. 16 – 18)

¹² For a detailed explanation of the Hotelling model (1929) see Tirole (1989, p. 279 – 282)

¹³ Quoted after Kaldor (1950, p.14) from Martin (2001, p. 276)

¹⁴ See Martin (2002, p. 276)

The investigation of the economic effects of advertising is originally based on Chamberlin's monopolistic model, which includes the firm's advertising expenditures as a "selling cost" that shifts out the downward-sloping demand for the firm's differentiated product. So in this model it was accepted that advertising may provide information to consumers, and it was allowed too that advertising may be persuasive and work to alter consumer "wants". Informative advertising enables consumers to respond to prices differences increasing the elasticity of demand, but persuasive advertising creates brand loyalty and reduces the elasticity of demand. There exist also scale economies in production. ¹⁵ From that initial perspective three view of advertising emerged: the informative view, the persuasive view and the complementary view. ¹⁶

The informative view argues that advertising mainly affects demand by conveying information. Thus the advertised good faces a more elastic demand. This elasticity effect suggests that advertised goods are generally of high quality, so that apparently not informative advertising may provide the indirect information that the quality of the advertised good is high. The reasons for this behavior are three: 1) the demand expansion that advertising induces is most attractive to efficient firms (low cost firms), and such firms are attracted to demand expansion achieved by offering low prices and high quality products, 2) the product-experience memories that advertising revive are most valuable to firms with high-quality goods, since repeat purchases are more likely, 3) a firm targets its advertising toward consumers who would value its products most. ¹⁷

The persuasive view argues that advertising mainly affects demand by changing tastes and creating brand loyalty. Thus the advertised good faces a less elastic demand. The elasticity effect suggests that advertising causes higher prices, but this influence may be moderated by the presence of production scale economies. This view holds also that advertising may deter entry. Consumers are reluctant to try new goods of unknown quality, and this experience-based condition between established and new products

¹⁵ See Bagwell (2001, p. 2)

¹⁶ See Bagwell (2005, p. 9 -24)

¹⁷ For a detailed explanation review the seminal papers of Nelson (1970, 1974, 1975)

may be exacerbated in the presence of high level of advertising by established firms. In this regard, advertising may be particularly effective if there are scale economies in advertising or production. Some evidence has been found in empirical research on this field.¹⁸ The majority of advertising is persuasive in nature.¹⁹

The complementary view argues that advertising mainly affects demand by developing a complementary influence in the consumer's utility function with the consumption of the advertised good. It may be for example that a consumer values "social prestige" and advertising may so serve as an input that allows the consumer to derive more social prestige when the advertised good is consumed. The complementary view is different from the informative view, since under the complementary view advertising may affect consumer demand even if it contains no information. The complementary view is also different from the persuasive view, because the complementary view argues that consumer has a stable set of preferences into which advertising enters as one argument.²⁰

Cultural sponsorship is not directly researched in the economics literature therefore regarding some similarities with advertising it is possible to address a research framework for it. So the main similarities with advertising that can be taken in consideration; these are: the generation of awareness about the product or company, the promotion of positive messages about the product or company, both are forms of purchased marketing communication and the capability of communicating, and thereby achieving these objectives to mass audiences or smaller, more closely defined groups. Nevertheless sponsorship can be described as a means of persuasion, which is different from traditional advertising.²¹ So far the generation of awareness in advertising can be separated in two basic stages: the generation of awareness for an advertisement's good, and the generation of awareness for the brand or company. In sponsorship it is also necessary to generate awareness of the event (arts event) and who the sponsor is

¹⁸ See Bagwell (2005, p. 9- 16)

¹⁹ Quoted after Bagwell (2001, p. 11) from Kaldor (1950, p.7)

²⁰ For a detailed explanation see Stigler and Becker (1977), Nichols (1985) and Becker and Murphy (1993)

²¹ See Erdogan (1998, p. 369 -370)

in each of the previous stages mentioned. The promotion of messages in advertising can be explicitly stated while this is not possible with sponsorship. The audience for advertising can be defined in terms of viewers and non-viewers (in a very simplified classification) where for sponsorship the audience needs can be seen in terms of active participants in the arts event, spectators, and media followers.²²

Going from the general to the specific the following figure narrows the economic concepts commented in order to match cultural sponsorship inside.

Economic dimensions	Comments
Strategic interaction	Cultural sponsorship is a strategic decision in an organization, regarding effects that can be achieved on consumers to influence demand.
Competition in the market	Cultural sponsorship is applied by organizations in order to afford an innovative tool to compete in the market.
Product differentiation	Cultural sponsorship is oriented to achieve determined target groups or range of audiences (niche markets).
Advertising views	<p>Cultural sponsorship can be used to inform about some firm's characteristics, signaling a "good citizen" behavior.</p> <p>Cultural sponsorship can be described as a means of persuasion. The persuasive view is associated with the creation of brand loyalty, so does cultural sponsorship as well.</p> <p>Cultural sponsorship can be seen in a complementary view if it is considered as a product that is also offered to customers.</p>

Figure 1 Economic dimensions as framework to investigate cultural sponsorship.
Source: Author's own construction

²² See Hastings (1984, p. 172 – 173)

2.1.2 Marketing theories as framework to evaluate cultural sponsorship

In the marketing literature marketing strategies play a main role. So the marketer should prepare a positioning strategy for each new and existing product's progress through the life cycle, makes decisions about competitive strategy, product lines and branding, and designs and markets its services.²³ Regarding marketing strategies in order to develop the market, the latter can then be researched in a customer oriented view, where a long-run performance plan is defined in order to achieve one or more competitive advantages in a relevant market; a competitor oriented view, where the main objectives are to delimit customer clearly benefits compared to those from competitors, and to establish the future behavior of the firm regarding competitors, so that the firm's position in the competitive environment is set; a distributor oriented view, is a view aligned to commerce concepts which objective is to strength the own position regarding distributors; or markets can be developed by means of instrumental strategies: instrumental strategies which consists in fundamental decisions regarding the firm's behavior with respect to the design of marketing tools (product, price, communication, and distribution). Instrumental strategies are the transition between strategic an operative marketing planning.²⁴

The communication strategy in an organization aligns the communication policy with the fundamental consumer oriented strategy. Depending on the competitive advantage (product quality, service, costs, innovation's ability, among others) the communication strategy has to be correspondingly defined.²⁵

Nowadays communication is seen as an interactive dialogue between the organization and its customers that takes place during all stages (from pre selling to post consuming). In order to developing effective marketing communications there are some tasks to be accomplished: to identify the target audience, to determine the communication objectives, to design the "message", to select the communication channels, to establish

²³ See Kotler (2003, p. 70)

²⁴ See Bruhn (2000, p. 76- 83)

²⁵ See Bruhn (2000, p. 83)

the marketing communications budget, to decide on the marketing communication mix, to measure results and to manage the integrated marketing communication process.²⁶

Communication tools in the communication mix are very varied; they can be described as communication platforms to stay in touch with customers. The following figure shows three main classifications of the mentioned tools.

Author (year)	Classification	Sub classification
Walliser (1995) p. 49	Advertising Sales promotion Public relations Sponsorship	
Bruhn (1999) p. 207	Media advertising Sales promotion Direct marketing Public relation Sponsorship Personal communication Exhibitions Event marketing Multimedia communication	
Kotler (2003) p. 304	Advertising Sales promotion <u>Public relations</u> → Personal selling Direct marketing	<ul style="list-style-type: none"> Press kits Speeches Seminars Annual reports Charitable donations Sponsorships Publications Community relations Lobbying Identity media Company magazine Events

Figure 2: Sponsorship in the classification of the communication mix.
Source: Authors owns construction

²⁶ See Kotler (2003, p. 302 – 311)

As observed sponsorship is a specific part of the communication mix in the marketing strategies in an organization. Sponsorship as a communication tool itself can be divided in very specific fields.²⁷

There are different approaches: for example sponsorship can be divided in five essential types: sport sponsorship, cultural sponsorship, social sponsorship, eco sponsorship, and program sponsorship²⁸; or sport sponsorship, cultural sponsorship, eco sponsorship, social sponsorship, and science sponsorship²⁹; or the concept can be divided in three categories: sport, cultural, and social and environmental sponsorship.

Although there is no agreement in the classification of sponsored objects, cultural sponsorship appears in every classification. Firms that utilize cultural sponsorship as a tool for their communication objectives have in the foreground the contact with customers of relevant target groups, the creation of goodwill, a publicity effect, and brand loyalty.³⁰ It is also argued that three dimensions can be associated with the possible effects of cultural sponsorship on different target groups: image or reputation on the community, motivation on employees, and brand loyalty on customers.³¹

Cultural sponsorship is not an isolated tool in the firm's communication and therefore it is normally applied together with other marketing instruments. The integration can be inter-instrumental or intra-instrumental, i.e. to create a unique communication entry and a synergetic strength of communication effects, and to allow a series of coordination processes, respectively.³² Cultural sponsorship has also to be managed itself, and in order to analyze the issue as an entity, the strategic and operative management will be defined in the next chapter in order to interpret the effectiveness of the tool in an organization, regarding the objectives definition, the selection of target groups and the evaluation of the management process interpreting the success factors to be transfer.

²⁷ Several authors in the English literature write about "commercial sponsorship"

²⁸ See Nufer (2002, p. 29)

²⁹ See Glogger (1999, p. 37)

³⁰ See Bruhn (1999, p. 241)

³¹ See Schwaiger (2001, p. 11)

³² See Bruhn (1999, p. 247 - 261)

2. 2. Operative implementation

By the previous reflections to an economic and marketing investigation from cultural sponsorship as a problem, it surges from one side the criteria from utilization of the advertising effects on demand as a main input for an economic analysis (Why is it used?) and from the other side the criteria of evaluate management of cultural sponsorship in order to determine success factors to transfer. (When and how is it used?). So regarding two related objectives (organizational communication is a “natural” link) the criteria are known and the cultural sponsorship issue is classified in the theoretical framework.

In order to implement the first criteria, the interpretation of the cultural sponsorship problem in an economic model framework will be taken in consideration. For the second criteria a case study methodology will be applied.

2.2.1 Models interpretation

Models interpretation corresponds to theoretical research. The key methodological distinction between descriptive and theoretical research is in their approaches. Descriptive studies begin with the data and seek to identify patterns in those data, in order to describe patterns of behavior and its correlates. Theoretical studies begin with a formal model that seeks to explain patterns in terms of underlying theory.³³

Theoretical models in marketing can be classified according to the purpose into the following three aspects:

- (1) Descriptive mathematical market behavior models - which purpose is to find the mechanism of the buying process without taking in consideration the influence of the marketing instruments.
- (2) Analytical mathematical marketing models - which purpose is to find out in what way the market reacts to certain incentives of a firm.
- (3) Mathematical marketing models containing an object function which is to be optimized – which purpose is to know how consumers behave in the market as well as to find out in what way the market reacts to certain incentives of a firm. So descriptive and analytical models should be a part of an optimization model.³⁴

³³ See McCarthy et al (2001, p.22)

³⁴ See Leeflang et al. (1972, p. 215 -217). There are other classifications, but regarding purposes this could be a logical one.

For the aim of this dissertation the analytical marketing model can fit better. In the present investigation cultural sponsorship has to be understood regarding the theoretical framework explained in the section 2.1.1. The model will be developed in the section 4.2 of this dissertation. In order to explain the operative implementation of the model a general overview of the process is commented.

Theoretical modeling begins with the need to understand some marketing phenomena. It is necessary to construct an environment – which is called a model. A model is specified by a series of assumptions. Mathematical assumptions have as purpose to make the analysis tractable. These assumptions, clearly do not describe real-world markets. At best they define an artificial world with some connections to the real world. Hence as a model is a setting in which a question is investigated it is necessarily unrealistic. Once a theoretical model has been developed, the logical implications have to be explained. Then another model, slightly or substantively different from the first, is built (by another researcher) and its implications are analyzed. The process continues with a third, a fourth, and so on in order to cover all ramifications of the explanation. This is the logical process behind.³⁵

The validity of theoretical modeling can be classified in two aspects:

- Internal validity: The need for internal validity in theoretical models necessarily implies that they will be unrealistic to some extents. There are two reasons: 1) it is easier to infer cause-related relationships when other distraction-forces (other causes) that could affect the phenomenon in study are not present; 2) theoretical models must be unrealistic because variation in models is a necessary aspect of deducing cause-effect relationships.³⁶ Theoretical models tend to exclude variables that are not a part of the explanation being exposed.
- External validity: The external validity of a model base research has two aspects to be taken in consideration: 1) applicability (Are there any real – world situation that fit the assumptions of the model?), and 2) robustness of the theory with respect to assumptions that can not be verified. As it is

³⁵ See Moorthy (1993, p. 93)

³⁶ See Moorthy (1993, p. 98)

sometimes a harsh requirement researchers can sometimes think about living without it.³⁷

Several authors argue that usefulness of theoretical models comes in two forms: First, as a direct qualitative guidance for managerial policy, so they can learn about the forces that determine the “bottom-line” effect of managerial decision variables (the “why” part of this learning is the principal learning); second, as a basis for a decision-support system that match the theory to the manager’s particular decision making environment. (“Which” theories to apply is the main question)

Real- world marketing environments are incredible complex. Too many forces operate there and just the managerial actions are observed. Theoretical modeling is a way to learn the specific effect of each force. The pedagogical purpose of theoretical modeling is served- even if theory has not been tested.

It is required to model the cultural sponsorship problem in a competitive environment; competition is about interdependence and conflicts of interests at the same time. So the use of game theory is worth, specifically the non-cooperative game theory.³⁸ It covers as one of multiple applications, the product differentiation where the dissertation fits in. As already discussed in section 2.1.1 horizontal differentiation and vertical differentiation will be regarded as product competition approaches in order to interpret the cultural sponsorship problem.

Game theory cannot be used as a tool that provides precise solutions to marketing problems, for many real-world problems, a game theoretic analysis may be intractable. Nevertheless it can be used to provide insight on competitive marketing situations.

There are already applications of game theory in advertising most of them are from economists.³⁹ However for the purpose of the dissertation the game theory tool will be used to model the cultural sponsorship problem interpreted as already discussed.

³⁷ See Moorthy (1993, p. 99 -100)

³⁸ “Game theory is not simply a matter of abstract mathematics but concerns the real world. This does not mean that the object of game theory is to predict behavior in the same sense as the sciences do, or indeed, that it is capable of such a function. Game theory is an analysis of the concepts used in social reasoning when dealing with situations of conflict” Rubinstein (1991, p.909)

³⁹ See Moorthy (1985, p. 262 – 280) for an exposition of basic concepts of non cooperative game theory and their application to advertising, product, and price competition.

2.2.2 Case studies

In the previous section the justification of the theoretical modeling was discussed regarding the first objective of this dissertation: to interpret the cultural sponsorship problem in an economic approach. The second objective of this dissertation is to gain a deeper understanding of cultural sponsorship management as a whole process in a German firm. This section describes the process followed to choose the research tool.

The sequence used was the following: 1. research purpose, 2. research approach, 3. research strategy, 4. data collection method, 5. sample selection, 6. data analysis, and 7. validity and reliability.

1. The research purpose of studies can be classified into three categories: exploratory, descriptive and explanatory studies.⁴⁰ In *exploratory studies*, fieldwork and data collection may be undertaken prior to definition of the research questions. Selecting cases is a difficult process here hence the cases that are selected should be easy and willing subjects. A good case does not have to defend its typicality. *Descriptive studies* require that the investigator begin with a descriptive theory. The information here is compared with idealized theoretic patterns. The descriptive theory must cover the depth and scope of the case under study. Descriptive studies try to portray an accurate picture of persons, events, activities, organizations, or situations. *Explanatory studies* are suitable for doing causal studies. In very complex and multivariate cases, the analysis can use pattern-matching techniques.⁴¹ The research questions framed as “who”, “where”, “what”, “how”, and “why” determine the research purpose. Several “what” questions justifies an exploratory study. Regarding this condition -the type of research questions posed in the interview protocol-⁴²the *research purpose is exploratory*. Nevertheless the existence of some “how” questions, makes the study somewhat explanatory (which is not uncommon)⁴³. The exploratory study registers, documents, identifies and maps-out data in order to gain the deeper understanding of the cultural sponsorship management as stated in the initial objective. In order to develop the interview protocol the researcher has interviewed several experts⁴⁴ in cultural sponsorship as a pilot test.

⁴⁰ See Yin (2003, p. 3)

⁴¹ See Tellis (1997a, p.4)

⁴² See Exhibit 2

⁴³ See Yin (2003, p. 3)

⁴⁴ The researcher thanks Prof. Hermanns, Prof. Martorella, Prof. Nufer, Prof. Rectanus as well as Dr. Haibach for invaluable comments.

2. A research approach can be quantitative or qualitative. *Quantitative research* is formalized and structured. It treats the research problem in a broad perspective and aims to make generalizations. The results from quantitative research are assumed to be measurable. The researcher controls the research and the use of statistical methods has a central role. *Qualitative research* is less formalized and its aim is to reach a deeper and complete understanding of the data collected and the problem studied. Since the primary purpose is to reach a deeper understanding of the research problem it is not necessary to draw any general conclusions. The best approach for a researcher depends on the purpose of the study and on the research questions.⁴⁵

The choice of approach should be based on the purpose of the research. This study has a *qualitative approach* rather than a quantitative one in order to get more in-depth information and to better fulfill the previously stated purpose.

3. The research strategy examines the following three conditions: 1. the type of research question, 2. the extent she or he has over actual behavioral events and 3. the degree of focus on contemporary events.⁴⁶ The table below describes the previously mentioned conditions comparing five research strategies. Regarding this classification the research strategy needed here is the *case study* because the interview questions are mainly how and why; there is no required control over the behavioral events in the cultural sponsorship analysis and it focus on contemporary events. Several authors reveal the relevance of the case study research (single case or small number of cases) arguing that the main advantage is to gain a richer understanding of the context of the research.⁴⁷

Strategy	Form of research question	Requires control of behavioral events?	Focuses on contemporary events?
Experiment	How, why?	Yes	Yes
Survey	Who, what, where, how many, how much?	No	Yes
Archival analysis	Who, what, where, how many, how much?	No	Yes/No
History	How, why?	No	No
Case study	How, why?	No	Yes

Table 4 Relevant situations for different research strategies. Source (Yin, 2003, p. 5)

⁴⁵ See Yin (2003, p. 4)

⁴⁶ See Tellis (1997b, p.5)

⁴⁷ For a detailed explanation see Saunders (2000) and Yin (2003)

4. Data collection method. Six primary sources of evidence for case study research are identified. The use of these might require different skills from the researcher. Not all sources are essential in every case study, but the importance of multiple sources of data to the reliability of the study is well established by the authors.⁴⁸ The table below summarizes the six primary sources mentioned above. No single source has a complete advantage over others they might be complementary and could be used in tandem. Thus a case study should use as many sources as are relevant to the study. The rationale for using multiple sources of data is the triangulation of evidence. That increases the reliability of the data, and the process of gathering it. To create a case study database as well as to maintain a chain of evidence are also two main principles of data collection.⁴⁹ The methods of data collection used in this study are *focused interviews* as primary source of information, and *documentation* as secondary source. Interviews conducted were developed as conversations following the interview protocol.

Source of evidence	Strengths	Weaknesses
Documentation: letters, memoranda, agendas, study reports, others	Stable –repeated review Unobtrusive –exist prior to case study Exact-names etc. Broad coverage- extended time span	Retrievability – difficult Biased selectivity Reporting bias –reflects author bias Access may be blocked
Archival records: service records, maps, charts, list of names, survey data, end personal records, such as diaries.	Same as above Precise and quantitative	Same as above Privacy may inhibit access
Interviews: open- ended (informants opinions of facts or events) focused (short time interview) and structured (formal survey)	Targeted –focus on case study topic Insightful –provides perceived causal inferences	Bias due to poor questions Response bias Incomplete recollection Reflexivity –interviewee expresses what interviewer wants to hear
Direct observation: site visit to gather data	Reality- covers events in real time Contextual- covers event context	Time consuming Selectivity –might miss facts Reflexivity –observer’s presence might cause change Cost –observers need time
Participant observation: researcher may participate in events being studied	Same as above Insightful into interpersonal behavior	Same as above Bias due to investigator’s actions
Physical artifacts: tools, art works, notebooks, computer output, etc.	Insightful into cultural features Insightful into technical operations	Selectivity Availability

Table 5 Types of evidence. Source: Adapted from Yin (2003, p. 86)

⁴⁸ For a detailed explanation see Stake (1995) and Yin (2003)

⁴⁹ See Tellis (1997b, p.9)

5. Sample selection. In order to answer the research questions it is important to choose a representative case study object. Case studies can be either single or multiple case designs. Single cases are used to confirm or challenge a theory, or to represent a unique case. Single cases designs require careful investigation to avoid misinterpretation and to maximize the investigator's access to the evidence. Multiple-case studies follow replication logic.⁵⁰

Taking in consideration the issues related to the management of cultural sponsorship in Germany the criteria chosen to select the case were the following: a German company

- 1) In a branch with a high involvement in cultural sponsorship,
- 2) That develops itself cultural sponsorship at the time,
- 3) That has a successful experience in this subject,
- 4) With a subsidiary in Peru, and
- 5) That has the willingness to provide the researcher with the required information

The firms that fill all the five requisites are *AUDI AG* and *SIEMENS AG* a *multiple case study* that is used to confirm or challenge the theory. AUDI and SIEMENS offer complex goods⁵¹. The researcher contacts two executives for the interviews in SIEMENS: one of the Strategy Division, and one of the Siemens Arts Program. The General Manager of Siemens - Peru was also interviewed. In AUDI two executive of the Customer Relationships area were contacted in Germany and the General Manager of Audi Zentrum - Peru was interviewed. The cases will be presented in the section 5.3.

6. Data Analysis. Three general analytical strategies are available in order to analyze data in a case study. First, relying on theoretical propositions where the researcher derives her research questions from previous studies, so she can focus on relevant data and ignore the irrelevant one. Second, thinking about rival explanations, that signifies defining and testing these rival explanations. This second strategy can be related to the first one. Third, developing a case description, that means to develop a descriptive framework for organizing the case study.⁵² Since in the previously discussed sections the case study follows a theoretical framework, then the first strategy is used in order to analyze the data, i.e. *relying in theoretical propositions*. The cases will include the analysis of the interviews as well of the review and use of the documentation, such as annual reports, publications, arts programs, websites, public interviews, etc. from the

⁵⁰ See Tellis (1997a, p.6)

⁵¹ A complex good consists of a diversity of products that, while differing in a variety of characteristics, are so closely related in consumers' minds that they are considered one commodity. These goods need an explanation. Examples of complex goods are automobiles and services.

Source: <http://www.homepages.ucl.ac.uk/~uctpb20/Lecture16.htm>

⁵² See Yin (2003, p. 30- 33)

participating organizations. The analysis of the cases is carried out via the within- case analysis where the data is compared with the emerged theory. Further in the analysis, similarities and differences between the theoretical and the empirical parts are identified. The findings will be the base of the conclusions.

7. Validity and reliability. In order to establish the quality of scientific research it is worth to take the reliability and validity in consideration.⁵³ Formally table 4 presents four main test especially relevant for case studies:

The underlined items in the table showed the tactics used in a case study in order to achieve validity and reliability. For the *construct validity* multiple sources of evidence were used: focused interviews and documentation as primary and secondary sources respectively and key informants have reviewed the case study along the process. For the interviews the researcher sent the questionnaire in advance in order to be reviewed by the interviewees. In Germany and in Peru the interviews were conducted in English. Due to the English domain by all the interviewees, the language will not generate misinterpretations. For the *external validity*, theories were the fundamental input in this single case study. The most accurate literature on cultural sponsorship management was used in order to develop an own emerged frame of reference. For the *reliability* in order to minimize errors and biases in the study the design of the interview questions try to avoid leading or influencing the respondent in any way. The conversation form itself was direct and fluent. Finally, the data collected is organized and structured so that other researchers could retrieve it.

Tests: Definition	Case study Tactic	Phase of research in which tactic occurs
Construct validity: establishes correct operational measures	Use multiple sources of evidence Establish chain of evidence Have key informants that review draft from case study report	Data collection Data collection Composition
Internal validity: establishes a causal relationship. Is a concern only for explanatory case studies	Do pattern-matching Do explanation-building Address rival explanation Use logic models	Data analysis Data analysis Data analysis Data analysis
External validity: establishes the domain to which findings can be generalized	Use theory in single case studies Use replication model in multiple-case studies	Research design Research design
Reliability: demonstrates that the operation of a study can be repeated with the same results	Use case study protocol Develop case study database	Data collection Data collection

Table 6 Case study tactics for four design tests. Source: Adapted from Yin (2003, p.34)

⁵³ For a more detailed explanation see Stake (1995), Saunders (2000), and Yin (2003)

To summarize the methodology applied for the second aim of the dissertation is in the figure below.

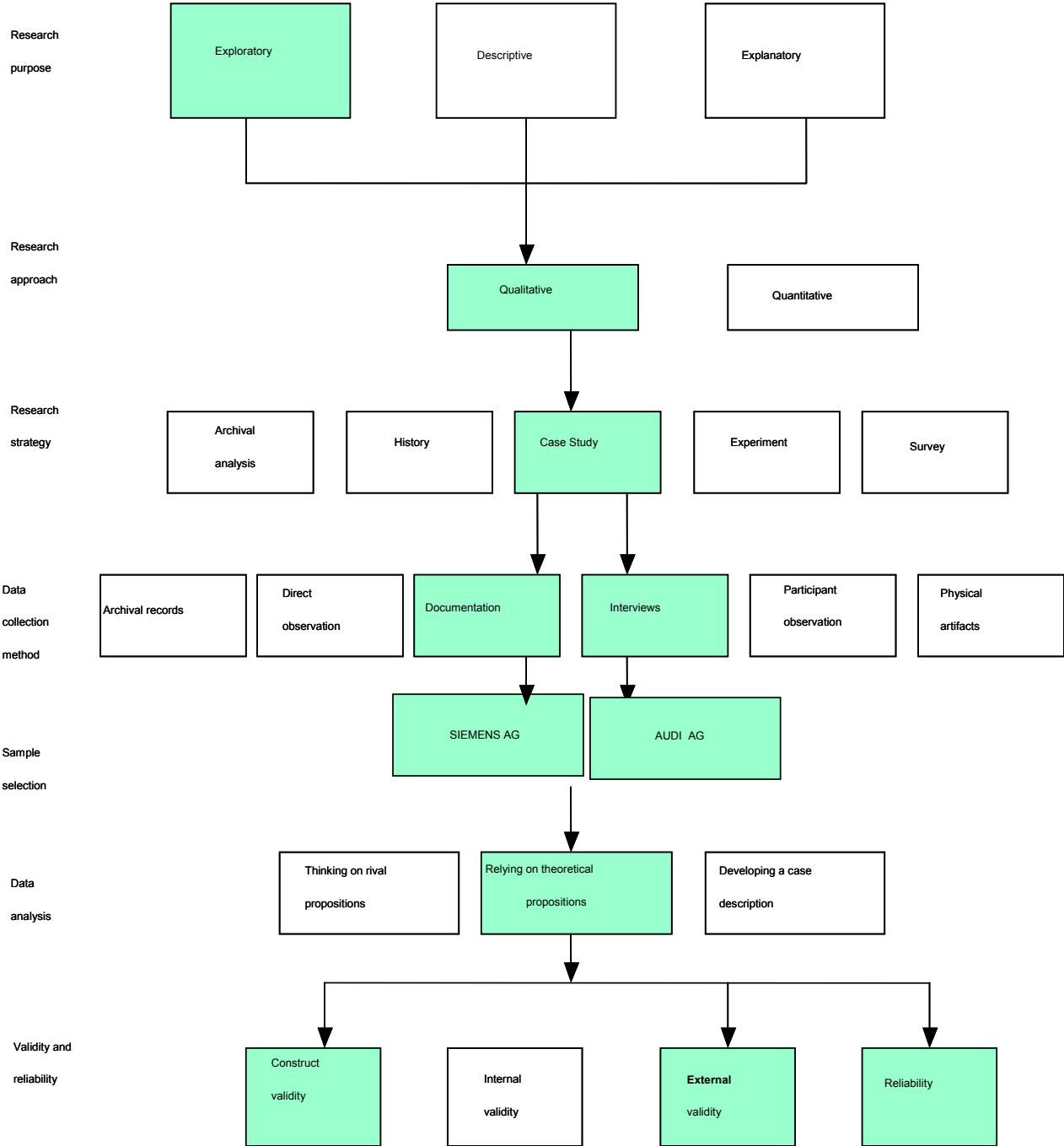


Figure 3: Graphical outline of research methodology. Source: Author’s own construction

3. CULTURE, SOCIETY AND ENTERPRISES

3.1 Definitions

The concepts in the title of the chapter have many different interpretations⁵⁴ that could confound the readers. In order to have a better understanding it is necessary to define the notions of culture, society and enterprise in the sense that they will be used in this dissertation. The relationship between culture and society as well as the relationship between culture and enterprises are also discussed.

3.1.1 Culture

Although the concept “Kunstsporing” (arts sponsorship) does exist, the word “Kultursporing” (cultural sponsorship) is predominantly used in Germany, and it is therefore on the title of the dissertation.

Different definitions of culture reflect different theories for understanding - or criteria or evaluating - human activity. And it is said that culture is one of the most complicated words to define. This word is employed in a variety of senses in everyday use but without a generally agreed core meaning. Despite these difficulties, it is possible to refine the range of definitions down to two⁵⁵, in order to contrast the senses.

Anthropologists or sociologists use the first sense of the word “culture” in order to describe a set of attitudes, beliefs, customs, values and practices, which are common to any group. The group may be defined in terms of politics, geography, religion, ethnicity or some other characteristic, making it possible to refer, for example, to Peruvian culture, German culture, European culture, Latin American culture, Jewish culture, feminist culture, corporate culture, youth culture, and so on; the characteristics of these groups in the form of symbols, texts, languages, artefacts, oral, and written tradition and by other means. One of the main functions of these expressions of culture is to establish the group’s distinctive identity.

The second sense in which the word “culture” is used has a functional orientation, defining activities that are undertaken by people, and the products of those activities, which have to do with the intellectual, moral and artistic aspects of human life. This is related to activities drawing upon the education of the mind

⁵⁴ See Table 7

⁵⁵ See Throsby (2000, p. 3-5)

rather than the acquisition of just technical or vocational skills. In this usage the word is more likely an adjective as in “cultural goods” or “cultural economics”. The latter definition is used in this dissertation. The word arts can be used as synonym when needed.

Following also the UNESCO framework and German experts in cultural sponsorship⁵⁶ the categories included as topics in the cultural field are: visual arts, performing arts, musical arts/music, poetic arts/literature, cinema, and cultural heritage.⁵⁷

3.1.2 Society

For the aim of this work society is considered as a community, nation, or broad grouping of people having common traditions, institutions, and collective activities and interests.

In political science, the term is often used to mean the amalgamation of all voluntary human relationships, generally in contrast to the State. In social sciences the term is the main study subject. Society made off relationships, so do corporation, and individuals (as social beings).

In a general reflection of the relation between the arts and society, several sociologists argue that arts are the result of the dominant socio-cultural climate of particular periods, and that more often than not the social class that holds economic, political or religious power imposes this likes and dislikes on the rest of society.

At different times and in different contexts, the definition of the Western society (also called the Occident) varies. A definition, criticized by several American sociologists and anthropologists, describes the Occident as a set of literary, scientific, musical, and philosophical principles base on Greeks, Romans, and Christians which set it apart from other great civilizations: It applies to countries whose history is strongly marked by Western European immigration or settlement, and is not restricted to Western Europe. Germany corresponds to Western Europe and Peruvian history is strongly marked by Spanish settlement, whose Occidental principles where inherited and conserved in the Peruvian country. (Catholic religion, Spanish language, philosophical principles, aesthetical and artistic values, etc.)

⁵⁶ See Bruhn (1998, p. 238) and Fehring (1998, p. 76)

3.1.3. Enterprises⁵⁸

Cultural sponsorship in this dissertation is analyzed from the side of the enterprises, understood as economic organizations, as firms. The latter definitions will be used as synonyms.

The industrial organization literature⁵⁹ examines three views of the firm. The concern is mainly with the efficiency reasons for integration or disintegration. Efficiency motives are associated with the cost-minimizing organization of economic activity. They are not contingent on the existence of monopoly power on the product market. Indeed, if the product market is perfectly competitive, the private and social interests that are relative to the choice between alternatives organizational forms generally coincide.

- The first view considered the firm as a synergy between different units at a given point in time to exploit economies of scale or scope.
- The second view of the firm- the “contractual” view of a long-run arrangement of its units.
- The third and last view – the “incomplete-contracting” view – comes somewhat close to the legal definition(s). It emphasizes that firms and contracts are rather different “governance modes”.

These three views share the idea that a firm should be able to produce (or sell) more efficiently than would its constituent parts acting separately.⁶⁰

The behavior of the firms is not a simple matter, either. There are many ways in which business decision makers may deviate from profit-maximizing behavior and many mechanisms that, in turn, limit managerial discretion. Furthermore, most of the recent developments in the study of firms’ decision-making and behavior are based on the theory of incentives. A core issue regarding firms is competition, and therefore the use of innovative tools to compete.

⁵⁷ A detailed explanation can be found in chapter four on the section 4.1.3

⁵⁸ „Entrepreneurship ist nicht Unternehmertum“: quotation on the Gablers Wirtschaftslexikon.

⁵⁹ See Tirole (1989, p. 16 -17).

⁶⁰ For a detailed explanation see table 8.

Definitions

Culture: noun. 1: Cultivation, taste. 2: the act of developing the intellectual and moral faculties especially by education. 3: expert care and training. 4 a: enlightenment and excellence of taste acquired by intellectual and aesthetic training b: acquaintance with and taste in fine arts, humanities, and broad aspects of science as distinguished from vocational and technical skills. 5 a: the integrated pattern of human knowledge, belief, and behavior that depends upon man's capacity for learning and transmitting knowledge to succeeding generations b: the customary beliefs, social forms, and material traits of a racial, religious, or social group c: the set of shared attitudes, values, goals, and practices that characterizes a company or corporation. 6: cultivation of living material in prepared nutrient media; *also*: a product of such cultivation.

Society: noun 1: companionship or association with one's fellows: friendly or intimate intercourse 2: a voluntary association of individuals for common ends; *especially*: an organized group working together or periodically meeting because of common interests, beliefs, or profession. 3 a: an enduring and cooperating social group whose members have developed organized patterns of relationships through interaction with one another b: a community, nation, or broad grouping of people having common traditions, institutions, and collective activities and interests. 4 a: a part of a community that is a unit distinguishable by particular aims or standards of living or conduct: a social circle or a group of social circles having a clearly marked identity b: a part of the community that sets itself apart as a leisure class and that regards itself as the arbiter of fashion and manners. 5 a: a natural group of plants usually of a single species or habit within an association b: the progeny of a pair of insects when constituting a social unit; broadly: an interdependent system of organisms or biological units

Enterprise: *noun*. 1: a project or undertaking that is especially difficult, complicated, or risky. 2: readiness to engage in daring action: Initiative. 3 a: a unit of economic organization or activity; *especially*: a business organization. b: a systematic purposeful activity <agriculture is the main economic *enterprise* among these people.

Table 7: Definitions of culture, society, and enterprise (Merriam Webster Dictionary)

Views	First view	Second view	Third view
Description	<p>The first view regarded the firm as a synergy between different units at a given point in time to exploit economies of scale or scope. This “technological” view will lead to discussions of the various forms of cost or demand complementarities and of the old “U-form” internal organization of a firm in which units are gathered according to their functions.</p>	<p>The second view of the firm- the “contractual” view of a long-run arrangement of its units – bring to the Williamsonian theory of the hazards of idiosyncratic exchange in a long-run relationship. Consider a buyer-supplier relationship in which the parties must sink trade-specific investments before trading. <i>Ex ante</i> there may be many suppliers and buyers, but <i>ex post</i> the parties may be in a bilateral monopoly situation. The supplier may not find alternative outlets, and the buyer may not be able to contract with a new supplier on time. This absence of <i>ex-post</i> competition raises the possibility of “hold-up” or “opportunism” A long-term contract must <i>ex post</i> guarantee the parties a fair return in order to <i>ex ante</i> encourage specific investment. It must also <i>ex post</i> guarantee the efficient volume of trade by prohibiting monopoly pricing.</p>	<p>The third view of the firm – the “incomplete-contracting” view – comes somewhat close to the legal definition(s). It emphasizes that firms and contracts are rather different “governance modes”. It looks at the firm as a particular way of specifying what is to be done in the event of contingencies not foreseen in a contract. It starts from the idea that contracts are necessarily incomplete, because some contingencies are unforeseeable or because there are too many of them to specify in writing, so that cost minimization requires the original contract to define only the broad lines of the relationship. The ownership of machines and the employment relationship give the owner of the firm the power (“authority”) to choose the way machines and personnel are to be employed, within certain limits. The degree of integration can then be measured roughly by the extent to which authority is distributed between contracting parties.</p>

Table 8: Views of the firm
Source: Adapted from Tirole (1989, p. 16 -17)

3.2 Relationship between culture, society, and enterprises

Culture constitutes the central analysis entity between enterprises and the sponsorship concept. It is necessary therefore to define its significance to society, and to enterprises and their behavior. Several empirical research at international level suggest that cultural sponsorship aids the sponsored organizations by providing clear benefits to the community and attracting social approval, and benefits that are tailored to a business’s needs and objectives.⁶¹

In order to analyze the relationship between the concepts, two dimensions have been considered: 1. Culture and society, and 2. Culture and enterprises.

3.2.1. Culture and society

“Arts, is the only memorable residue that marks and outlines one’s epoch” ⁶² This phrase represents an emotional and sentimental definition of the relationship between culture and society. Several authors otherwise have developed diverse frameworks in order to define more formally the relationship between culture and society. The table 9 summarizes the five frameworks discussed below.

Framework	Contributor (year)	Classification	Description
First	Goodwin (2005)	Macroeconomic Microeconomic	-Arts stimulate employment and growth, strengthen the demand for services, increase the tax base, and attract tourists among others. -As public good or merit good arts is socially desirable in itself for different reasons than their capacity to satisfy individual human wants.
Second	Heilbrun and Gray (2002)	Arts as a profession The role of the arts on the local economy The cultivation of taste	-Influence in the labour market. Dependence on consumer tastes and preferences -Arts are predominantly an urban activity. A strong cultural sector creates a favourable image of the city. -Cultivated taste means to be familiar with arts to find pleasure in it and the more familiar the more pleasure.

⁶¹ See Thompson (2005, p. 3)

⁶² Anonymous

Framework	Contributor (year)	Classification	Description
Third	Throsby (2001)	The urban regeneration and regional growth The influence in the economics of developing countries The cultural tourism The cultural trade	-Cultural facilities can be symbols affecting urban economy. Arts are a link for development and fostering community identity. -In developing countries the presence of cultural factors supports cultural industries that will emerge. -Tourism may offer economic stimulus and financial support for cultural activities -Export of cultural goods is an economic contribution to a national economy in the production side.
Fourth	Reeves (2002)	Direct economic impact Indirect economic impact Direct social impact Indirect social impact	-Source of contents for the cultural industries. Creation of jobs and locally significant economic effects -Arts are socially profitable offer cultural credits (e.g. for sponsors). Creation of stock of ideas. -Socially valuable leisure activities - Stimulation of creativity. Collective memory for a community. Improvement of quality of life in urban areas.
Fifth	McCarthy (2004)	Instrumental Intrinsic	-Improved test scores. Improved self-efficacy, learning skills, health. Development of social capital. Economic growth. - Captivation. Pleasure. Expanded capacity for empathy. Cognitive growth. Creation of social bonds. Expression of communal meanings.

Table 9: Benefits of arts to society Source: Author's own construction

The first framework analyzed refers to two kinds of economic arguments about the benefits from culture to society.⁶³ The first one is macroeconomic, generally accepted by the public and in politics, but neglected by economists. The argument is that arts stimulate employment and growth, strengthen the demand for services, increase the tax base, and attract tourists, among others. Therefore arts should be subsidized by the state. The problems with the argument are, on the one side that the same argument can be applied to a variety of other segments or the economy and on the other side that there are better ways to achieve the macroeconomic goals without subsidies. The second argument is microeconomic, more credible to modern economists. In the sub-

⁶³ See Goodwin (2005, p.400 - 402)

discipline of public economics, arts may generate public goods – goods that are “non excludable” and “non rival”.

This signifies that their costs cannot practicably be recovered through market transactions and that their use by one person does not reduce use by another. In this situation a public economist justifies the state intervention. However, several micro economists analyze the arts as if they were ordinary consumption goods. Finally, on this framework, public economists have a category call merit goods⁶⁴, meaning goods that are socially desirable in themselves for different reasons than their capacity to satisfy individual human wants; their social merit alone should justify public support for their production. The merit must be exceptional. The reason for special treatment of merit goods is deeper than that for externalities, because the nature of the social benefit is less well defined. Economists are typically doubtful about claims to merit status, since there seems no obvious way to specify in theory or in practice the optimum level of their production.

The second framework focuses on three aspects where arts benefits economy and society:⁶⁵ 1) arts as a profession, 2) the role of the arts on the local economy, and 3) the cultivation of taste. According to these analysis arts as a profession has an influence in labor markets, where the price is the wage paid to the artist, and the quantity can be thought as of the number of artists employed. That way, the labor market determines both the earnings of artists and the number of artists who will find work. For this market the demand for artists is related to the extent that some audience exists for their work. The value of the artist to an employer has two components: on one hand the artist’s marginal productivity (what the artists adds to the quantity of the employer’s output) and on the other hand the unit price of that output (the additional product multiplied by the unit price yields the additional revenue to the employer). So the demand for artists depends on those factors that influence demand for their final product, like consumer incomes and consumer tastes and preferences. By the supply of artists higher expected earnings can allure additional arts labor in the market, and more attractive earnings should increase the long-term incentive of an arts career, so that aspirants will participate in educational and training programs in order to improve their skills for eventual employment. Some realities of this market however show that the arts internationally represent an unusually interesting application of labor market theory.

⁶⁴ See Musgrave and Musgrave (1973, p. 80 -81)

⁶⁵ See Heilbrun and Gray (2002, p. 309 – 402)

Although many artists will not be well paid, so long as artistic careers retain some inherent attractiveness, artists will continue to meet the aesthetic needs from society. As a second aspect from this framework the role of the arts in a local economy is relatively clear, taking in consideration that arts are predominantly urban activities. Most of the cultural activities must be consumed where they are produced, and most of the cultural institutions are economically viable only in places where the local cultural audience is big enough to support them and generally in cities or metropolis that are sufficiently large. The size depends on two factors: the cost characteristics of the service in question and the density of demand for it. In order to determine the economic impact of culture studies try to measure the proportion of economic activity in a city that is attributable to the cultural industry. A strong cultural sector does help to create a favorable image of a city. The business community is also aware of the importance of culture to the local environment. The third and last aspect is about the cultivation of taste. Taste is one of the most important variables determining the level of consumer demand for culture. Art is said to be an cultivated taste, but this not certainly imply that the taste for art is somehow pretentious or unnatural, rather it means that someone has to be familiar with art to find pleasure in it, and the more familiar with arts someone becomes the more pleasure she or he finds. The mass media and public broadcasting should play a role in the diffusion of culture, but it depends on the contents of the programs and the own interests of the diffusers.

The third framework is based on an approach of cultural industries and its benefits to society.⁶⁶ To achieve a better understanding of this approach a brief definition of cultural industries is needed. As culture is residing within an economic milieu, cultural production and consumption can be situated within an industrial framework. So goods and services produced and consumed can be regarded as commodities. Regarding this, cultural industry is a means to represent cultural activities in economic terms. The benefits to society outlined from this approach are: 1) the urban regeneration and regional growth, 2) the influence in the economics of developing countries, 3) the cultural tourism, and 4) the cultural trade. In this approach the role of culture in urban regeneration and regional growth implies four aspects. First, a specific cultural facility should comprise on its own a representative cultural symbol affecting the urban economy: The Beethoven' house in Bonn or Macchu Picchu in Cusco are examples. Second, a cultural district can act as a link for development in the local area, such as occurs in Berlin or Lima. Third, the cultural industries may constitute a main component of a city's economy, not just in

⁶⁶ See Throsby (2001, p. 110 – 136)

capitals or major centers as the above mentioned, but also in smaller regions and cities as well. Fourth, culture may have a main role in urban development through the fostering of community identity and shared characteristics among others. Concluding this first aspect of the third approach, it is about the contribution to the generation of economic value over time, interpreting heritage buildings, theaters, concert halls, craft workshops, artist's studios and so on as well as the people who produce the cultural goods as assets. A second aspect in this approach is the influence in the economics of developing countries represents the presence of cultural factors in a process where cultural industries will emerge. Just as an example, in order to comment to what extent the cultural industries per se can be a force for development in these countries, the case of music can be mentioned. The importance of music in the cultural life in developing countries is well accepted.⁶⁷ Nevertheless, while music can be a significant contributor to economic life in developing countries, its role cannot be determined without reference to the impacts on it of the global music industry, which becomes a significant force as development proceeds. A third aspect mentioned on this framework is cultural tourism.

Tourism is not a cultural industry but is a user of the cultural industries, like performing arts, museums, galleries, heritage sites and so on. In a specific sense the so-called "cultural tourism" implies a pre – packaged product that is low-volume, high cost and tailored to individual demands. Tourism can provide an economic stimulus and financial support for much cultural activity, but it can also have adverse impacts for example the damage of cultural sites, congestion of cultural facilities or inappropriate hotel development in culturally sensitive areas. Finally, the fourth aspect of this frame is about cultural trade. The benefits to society are related on the one hand to the production side, the export of cultural product in the international trading system represents an economic contribution, which the cultural industries can make to the national economy. On the other hand, on the receiving end the importation of cultural goods can be seen as detrimental to local cultural identity. It is an enthusiastic approach of the potential of cultural industries, however the creation of economic value is not their only *raison d'être*.

The fourth framework refers to economic and social impact measures of the arts.⁶⁸ Economic impact and social impact have to be defined for the better understanding of the issue. The economic impact of a phenomenon is "the effect of the phenomenon on such economic factors' as the economic behavior of consumers, businesses, the

⁶⁷ See Nettl (1978, p. 1 – 13)

⁶⁸ See Reeves (2002, p. 27 – 34)

market, industry (micro); the economy as a whole, national wealth or income, employment, and capital”⁶⁹ The social impact of the arts is described as “those effects that go beyond the artifacts and the enactment of the event or performance itself and have a continuing influence upon, and directly touch peoples live”.⁷⁰

Based on empirical evidence in the United Kingdom this approach separates the contribution of culture to society in direct and indirect impacts in both the social and the economic aspects. The main findings obtained in this study⁷¹ are the following:

- As direct economic impacts: 1) the arts serve as a main source of contents for the cultural industries, the media and value-added services of the telecommunications industries. 2) They create jobs and contribute significantly to the Gross Domestic Product. 3) Cultural institutions, events and activities create locally significant economic effects, both directly and indirectly through multipliers. 4) Cultural products have their own autonomous ‘value-adding’ markets, which often give them good investment potential.
- As indirect economic impacts: 1) the arts are ‘socially profitable’ in that they offer cultural credit or esteem for people and institutions (e.g., sponsors) 2) Cultural products create national and international stocks of ideas or images which can be exploited by the cultural industries 3) Works of art can enhance and so add value to the built environment.
- As direct social impacts: 1) the arts provide ‘socially valuable’ leisure activities, ‘elevate’ people's thinking and contribute positively to their psychological and social well-being and enhance their sensitivity.
- As indirect social impacts: 1) the arts enrich the social environment with stimulating or pleasing public amenities. 2) They are a source of ‘civilising’ impacts and of social organisation. 3) Artistic activity, by stimulating creativity and a disregard for established models of thinking, enhances innovation. 4) Cultural products are a collective ‘memory’ for a community and serve as a reservoir of creative and intellectual ideas for future generations. 5) Cultural institutions improve the quality of

⁶⁹ Quoted after Reeves (2002, p.27)

⁷⁰ Quoted after Reeves (2002, p. 33)

⁷¹ For a broader explanation see The European Task Force on Culture and Development (1997)

life and so in urban areas enhance personal security and reduce the incidence of street crime and hooliganism.

The fifth and last framework summarizes the instrumental benefits reported from empirical studies in the USA and includes intrinsic benefits in the analysis.⁷² The figure below illustrates the framework, showing instrumental benefits on top and intrinsic benefits on the bottom, in a continuum from private to public benefits. On the private end are benefits primarily of value to individuals. On the public end are benefits primarily of value to the public. And in the middle are benefits that both enhance individuals' personal lives and have a desirable spillover effect on the public sphere.

Instrumental benefits		
Improved test scores	Improved self-efficacy, learning skills, health	Development of social capital Economic growth
Private benefits	Private benefits with public spill over	Public benefits
Captivation	Expanded capacity for empathy	Creation of social bonds
Pleasure	Cognitive growth	Expression of communal meaning
Intrinsic benefits		

Figure 4: Framework for understanding the benefits of the arts. Source: McCarthy (2004, p. xii - xiv)

This framework, as said before, separates the analysis in instrumental benefits and intrinsic benefits. The instrumental benefits are categorized as cognitive, attitudinal and behavioural, health, social, and economic. The benefits mentioned in cognitive studies are related to three main categories: 1) the improvement of academic performance and test scores, 2) the improvement of basic skills, and 3) the improvement of attitudes and skills that promote the learning process itself. The main benefits of the analysis of attitudes and behaviours focus also in three aspects: 1) the development of attitudes and behaviours that improve school performance, 2) the development of more general

⁷² See McCarthy (2004, p. 6 –10)

life skills, and 3) the development of pro-social attitudes and behaviours among youth at risk. In the health literature the main benefits encountered can be categorized by effects and population studied. So it can be mentioned the improvement of mental and physical health, especially among the elderly, the improvement of health for patients with specific health problems, the reduction of stress and improved performance for caregivers, and the reduction of anxiety for patients facing medical procedures. The literature on social benefits focus on two main categories: the promotion of social interaction among community members, and the building of a community's organizational capacity through both the development of assets and the general process of organizing these interactions. Finally the economic benefits can be summarized in three types: direct benefits, indirect benefits, and a variety of "public good" benefits.

The intrinsic benefits considered in this framework are captivation, pleasure, expanded capacity for empathy, cognitive growth, creation of social bonds, and expression of communal meanings. Captivation to a cultural product can move the individual away from routine and into a state of focused attention. Pleasure can be produced by an artistic experience in the form of deep satisfaction. Capacity for empathy can be expanded as cultural experiences give the individuals new references that can make them more receptive to unfamiliar people, attitudes or societies. Cognitive growth occurs when individuals focused their attention in a cultural product and what is before them make sense. Finally the creation of social bonds occurs when people share the attention to cultural activities and discussed it or experienced it communally, and the expression of cultural meanings is a benefit of arts when the community does not express itself.

The five frameworks based on different approaches show a variety of benefits of arts to society. All shared the economic and social benefits, and the differences are based in the disciplines used in the analysis like economics, sociology, aesthetics, philosophy, and psychology, among others. As mentioned at the beginning of the chapter the table below summarizes the benefits of culture to society, considering the contributor, the classification used, as well as a brief description of the benefits obtained. For simplicity an additional column includes the order the frameworks where presented in this chapter.

3.2.2 Culture and enterprises

In this issue also several authors have developed diverse frameworks in order to define more formally the relationship between culture and enterprises. The table 5 at the end of the section summarizes the three frameworks discussed below.

The first approach analyses the positive rationales for corporate arts support. This approach develops the concept that firms have multiple means to explain, justify and rationalize their arts provision that do not require a moral underpinning, but can be explained in positive terms as a matter of business policy.⁷³ On the normative economics the private arts support is criticized because it does not increase firm's profits. On the positive economics this framework uses five rationales to explain the private support to the arts: 1) Economic rationality, 2) the rationality of individual incentives, 3) stakeholder management rationality, 4) inter-, organizational rationality, and 5) procedural rationality. The first three rationales are criteria used to maximize the interest of the shareowner. The others indicate the means by which those interests are served.

-The economic rationality treats arts support as a specialized form of promotion, the analysis focus on profitability. But arts support is a high- risk technique to generate revenue when compared with other marketing devices. The term sponsorship indicates support that is promotional rather than philanthropic in nature, and where some specific marketing benefits are anticipated. Economically rational arts support should be based on a methodologically sound projection that it will lead to desired financial results. What defines the support as economically rational is exchange rather than altruism. In making their decisions, the firms seek specific benefits in return. Whether successful or not, a decision can be justified because it anticipates improved revenues, or decreased expenses, or both and defended as a right business decision in a shareowner regime.

-The rationality of individual incentives can be viewed as a means for executives to exploit shareholders. Sometimes arts support is rather the desire of an individual manager than a business purpose, where personal exchange can be the rationale. (For instance when sponsorship gifts go to the individual rather than the corporation) But the shareowner's wealth is the firm's optimal goal, with individual utility as a sub-goal that should not figure in the firm's decision making, in family-owned business both coincide.

-The stakeholder management rationality implies a firm viewed as "an organizational entity through which numerous and diverse participants achieve multiple, and not always congruent, purposes."⁷⁴ So employees, customers, communities, suppliers, and government among others are recognized as having legitimate interests in the outcomes of firm's decisions. Arts support is an appropriate way to interact with broader communities, and may fall into the "wants" category rather than in the "needs" category.

⁷³ See Kushner in Martorella (1998, p. 235 – 246)

⁷⁴ Quoted after Donaldson and Peterson in Martorella (1998, p. 240)

As in the former case (rationality of individual incentive) this approach is criticized according to the Friedman's theories.⁷⁵ When firms support the arts in order to distribute returns to resource owners other than investors, the stakeholder management may be the rationale. In this role of management also maximize public welfare.⁷⁶

- The inter-organizational rationality is about the relationship between firms, e.g. the sponsoring and the sponsored firm. Arts support is hence a boundary-spanning function in which businesses interact with other organizations. Firms support arts in order to satisfy economic, individual or stakeholder objectives, and recipients of this support engaged in similar objectives in order to achieve their missions. Givers, as well as recipients, choose the organizations with which they interact. Firms take the decision with which they want to be associated. Business arts relationships may help both kinds of organizations fulfill long-run objectives of strategic importance. Reputation has positive consequences to those who give, but damage that those who do not, is limited.

- Finally, the procedural rationality or technical rationality implies that arts support activities generate internal structures and mechanisms to implement decision rules emerging from interest-based rationales. When arts support is based on economic rationality and viewed as an extension of marketing activities, i.e. sponsorship, marketing staff is involved in the decision. A technically rational approach to arts support matches a low policy commitment to arts support as a routine response to arts support decisions. If policy commitment to arts support is important the response is more likely an extended problem-solving approach.

The second framework reviews the benefits to business of participating in the arts. The main focus of this framework is that by providing support to the arts business benefit in four mayor ways. Such support: 1) Economic impact on communities. 2) Skilled and motivated employees, 3) Civil society, and finally 3) The direct benefits to businesses.⁷⁷

- The economic impact on communities implies that cultural industries generate business, full-time jobs, tax revenues, and so on. The cultural activity can attract new businesses, encourage urban renewal and improve quality of life in cities and towns, throughout a country. Increasing visitors frequently cite cultural products as prime attractions for tourism, so culture can provide benefits to the hospitality industry.

- The development of skilled and motivated employees may be achieved by arts. Employees today must be creative and innovative individuals, capable to dealing with rapid change. Arts can play a role stimulating workers throughout their entire life. They

⁷⁵ For details see Friedman (1972)

⁷⁶ See Post (2002, p. 25)

⁷⁷ See Steuer (2001, p. 1 – 4)

want today to live in a cultural community not just as observers but also often as participants.

- A civil society should value diversity. So do corporations. Arts provide according to this framework a sense of freedom and escape from stereotypes, as well as a neutral forum where ideas aren't judge by their source. Arts provide also a friendly, safe, secure place where unity rules. Finally, business benefits from a more civil society, with a more powerful sense of community, reduce and crime, and higher level of learning skills.
- Direct benefits to business: product sales, goodwill, brand recognition. Through sponsorship, arts organizations can be valuable business partners.

Finally, the third approach is about the relationship transformation between arts and business. It has changed dramatically over time. This research considered arts sponsorship as the main focus of the analysis and follow the transformation regarding it. These three stages reviewed in this framework are: 1) Arts sponsorship as a business, 2) Arts sponsorship as a relationship, and finally 3) Arts sponsorship as a partnership.⁷⁸

- Arts sponsorship as a business; this is the marketing approach. Since the 90's there is a growth in private sector opportunities for arts association. So the corporate arts sponsorship as a business opportunity is also growth. The marketing approach to arts sponsorship has been accompanied by a trend towards zero-based budgeting by business and the money has been taken for arts sponsorships from marketing budgets.
- Arts sponsorship as a relationship is a two-way, more interactive, mutually affecting arts sponsorship relationship, building over time. This relationship trend has evolved with systems models and theories, with more humanized, more personalized interactive corporate systems, and has developed through the relationship management approach.
- Arts sponsorship as a partnership is a relationship characterised by the fusion or synergy between arts and business core values. There is a focus on corporate image and mission statements, vision and values. Compatibility with arts forms is pivotal.

The following table summarizes the discussion of the three approaches, as indicated at the beginning of this chapter.

⁷⁸ See McNicholas (2004, p. 57 – 59)

Framework	Contributor (year)	Classification	Description
First	Kushner (1998)	<ul style="list-style-type: none"> -Economic rationality -The rationality of individual incentives -Stakeholder management rationality -Inter- organizational rationality -Procedural rationality 	<ul style="list-style-type: none"> -Treats arts support as a specialized form of promotion. A high- risk technique to generate revenue (e.g. sponsorship) -A means for executives to exploit shareholders. Share owner's wealth is the firm's optimal goal, with individual utility as a sub-goal - An approach that considers employees, customers, communities, suppliers, and government among others are recognized as having legitimate interests in the outcomes of firm's decisions - Arts support is hence a boundary-spanning function in which businesses interact with other organizations. -Arts support activities generate internal structures and mechanisms to implement decision rules emerging from interest-based rationales.
Second	Steuer (2001)	<ul style="list-style-type: none"> -Economic impact on communities -Skilled and motivated employees -Civil society -Direct benefits to businesses 	<ul style="list-style-type: none"> -Stimulates the economic revitalization of communities or economic impact on communities -Develops skilled and motivated employees through learning and participation -Helps create and maintain a civil society -Benefits businesses directly through increased brand recognition, product sales, community goodwill and positive visibility
Third	McNicholas (2004)	<ul style="list-style-type: none"> - Arts sponsorship as a business - Arts sponsorship as a relationship - Arts sponsorship as a partnership 	<ul style="list-style-type: none"> -Marketing approach. Zero-based budgeting by business -Personalized, interactive relationship built over time. -Fusion or synergy between arts and business core values.

Table 10: Relationship between culture and enterprises Source: Authors own construction

4. CULTURAL SPONSORSHIP’S THEORETICAL FRAME

In the previous section the relevance of culture in society and enterprises was discussed. In this chapter cultural sponsorship is defined and analyzed regarding economic and managerial aspects related to this issue.

4.1 Definition of sponsorship

Sponsorship is a relatively new medium in the communications mix of companies. Many authors credit the origin of sponsorship to Gaius Clinius Maecenas, who around 70 BC lived in Rome as a friend and advisor to Cesar Augustus. His enormous fortune allowed him to invite some renowned poets of the time, to his estates and to pay for their living expenses. The term maecenas is today used synonymously with patronage, and stands for the selfless, purely altruistic support of causes such as the arts, research or community matters. Regarding Samuel Johnson’s dictum that, “to act from pure benevolence is not possible for finite beings. Human benevolence is mingled with vanity, interest or some other motive”⁷⁹ it can be argued that Maecenas’ support was a de facto sponsorship of the arts.

The following table developed a sponsorship historical time line⁸⁰

1. B.C. – 1600	1631	1924 – 1970	1970 - 1984	1984	1990	2000
The Era of Patronage	The Advent of Advertising	The Early Pioneers	The Era of Development	The Sponsorship Explosion	The Era of Added Value	The Technological Era

Table 11 Historical time line of sponsorship. Source: Skinner, B. and B. Rukaniva (2003)

Sponsorship has steadily developed over the past decades and adopted diverse forms along the way. Consequently, historical definitions of sponsorship must be seen as an attempt by practitioners and researchers to adequately describe an empirical phenomenon they were witnessing. There were in fact practitioners who supplied not only the earliest, but also very useful definitions. This may be a consequence of the fact

⁷⁹ Quoted after Meenaghan (1983, p. 17)

⁸⁰ See Skinner and Rukaniva (2003, p. xxi)

that the sponsors and sponsees⁸¹ felt a need to codify their activities, as they pushed into territory, which was regarded as off-limits for commercial activities as can be seen in the figure below:

Year	Author	Definition	Comments
1977	Waite	“(1) A commercial organization (sponsor) provides resources for the benefit of a leisure activity (sponsored). (2) The sponsor does so with the expectation of gaining some commercially valuable benefit. (3) The sponsored activity consents to the sponsor company using a facility it has to offer in exchange for the resources it accordingly receives.”	-As oriented to leisure activities the concept does not account for other sponsees. -Sponsorship does not always consist of a facility to be used.
1977	Simkins ⁸²	“(1) A sponsor makes a contribution in cash or in kind (...) to an activity which is in some measure a leisure pursuit, either sport or within the broad definition of the Arts. (2) The sponsored activity does not form a part of the main commercial function of the sponsoring body (...) (3) The sponsor expects a return in terms of publicity.”	-Defined as contributing to a leisure pursuit excludes other common forms of sponsorship. -Sponsorship may very well form a part of the commercial function. -Publicity may not be the only aim of sponsorship
1983	Meenaghan	“The provision of assistance either financial or in kind to an activity by a commercial organization for the purpose of achieving commercial objectives”	-Not only commercial organizations can be sponsors
1984	Von Specht	“(1) The provision of money or in kind assistance by a company (...) The sponsee is a person, group of persons or institutions within the areas of sports or culture. (2) The sponsor (...) receives previously defined services in return. These services (...) contribute directly or indirectly to the marketing objectives of the company. The support of the sponsee can only be regarded as a by-product of the engagement. (3) Sponsorship is a distinct marketing instrument (...).”	-Definition excludes other forms of sponsorship -First author to define sponsorship as a distinctively marketing instrument

⁸¹ Sponsee is the receiver of sponsorship

⁸² Quoted by Meenaghan (1983, p.9)

1986	Bruhn	“Planning, organization, execution, and controlling of all activities which relate to the provision of means by companies for persons and institutions from the areas of sports, culture and the social sector to attain entrepreneurial marketing and communication goals”	-The process view is not helpful -No specification of means -Sponsors and sponsee too narrowly defined -Goals setting as marketing and communication purposes
1987	Gardner/ Shuman	“Investments in causes or events to support corporate objectives (e.g., enhance company image) or marketing objectives (e.g., increase brand awareness), and are usually not made through traditional media-buying channels.”	-Sponsor and sponsee too narrowly defined -Acknowledges that sponsorship objectives may be outside the marketing realm
1989	Drees	“The provision of money, in-kind or services by the sponsor to a selected sponsee with the aim of utilizing this engagement with its defined counter-services by the sponsee for defined, mostly communicative goals”.	-Broad definition makes it suitable for any form of sponsorship -Does not provide definitions of the sponsor and sponsee
1991	Meenaghan	“Sponsorship is an investment, in cash or kind, in an activity, in return for access to the exploitable commercial potential associated with that activity”	-First modern-day definition -Broad definition makes it suitable for many forms of sponsorship
1997	Hermanns	“Sponsorship is the contribution of money, gear and/or services of a company (the sponsor), to an individual, a group of persons or to an organization/institution (the sponsored) for the rights to use persons or the organization and their activities for the sponsor’s communicative use on a contractual basis.”	-Goals just as communication purposes -Introduce the contractual basis in the definition
1999	International Events Group (IEG)	“A cash and/or in-kind fee paid to a property (typically a sports, entertainment, non-profit event or organization) in return for access to the exploitable commercial potential associated with that property”	-Widely used definition by practitioners. -Draws strongly on Meenaghan’s definition
2001	Tripodi	“Sponsorship is the provision of assistance by a commercial organization (sponsor), in cash or kind, to a property (sponsee), in exchange for the rights to be associated with the property for the purpose of gaining commercial and economic advantage”	-The original definition of Tripodi was written in the context of sport but is really applicable to sponsorship of sport, arts or causes, each of which is thought to provide a unique relationship with a business sponsor.
2003	International Events Group (IEG)	“The relationship between a sponsor and a property, in which the sponsor pays a cash or in-kind fee in return for access to the exploitable commercial potential associated with the property.”	-Widely used definition by practitioners. -Focus on the relationship between sponsor and sponsee

Figure 5: Critical review of sponsorship definitions. Source: Authors own construction

Sponsorship is a complementary tool in the communication mix. The characteristics that describe sponsorship are: 1) the principle of giving and taking, 2) the use for communicative functions by the sponsor, 3) the systematic planning and decision making process, and 4) the integration into the corporate communication's mix and linked with other tools such as classical advertising.

These sponsorship characteristics allow an enterprise to expect specially the following goals:

- Actualization and stabilization of brand awareness
- Build up or improvement of determined image dimensions
- Creation of attractive possibilities in public relations with customers and other stakeholders
- Creation of goodwill and documentation about social responsibility
- Improvement of employee's identification and motivation

There are two other types of sponsorship. The first one is called "unselfish sponsorship" where altruistic motives are dominant and the second one is the "promotion-oriented sponsorship" where the aim of support still dominates over the process of communicating with the consumer.⁸³ With regard to this dissertation the classic commercial sponsorship, already defined, is taken in consideration.

4. 1. 1. Sponsorship in the world

The lion's share of world sponsorship programs originates in the Americas with 77 percent of the total (North America 72%, South America 5%), followed by Australia with 17 percent, and Europe with 16% as shown in figure 6. With the further development of emerging markets, a future sponsorship expenditure growth is likely to come from those areas, while growth rates in the Americas and Europe will depend on to the economic recovery in these regions.⁸⁴

The main part of sponsorship investment (76 percent) goes to sports, 37 percent goes to causes and 33 percent goes to the arts as shown in figure 7.

⁸³ See Bruhn (1998, p.25-27)

⁸⁴ See Meenaghan (1998, p. 7-9)

Sponsorship Programs by Region

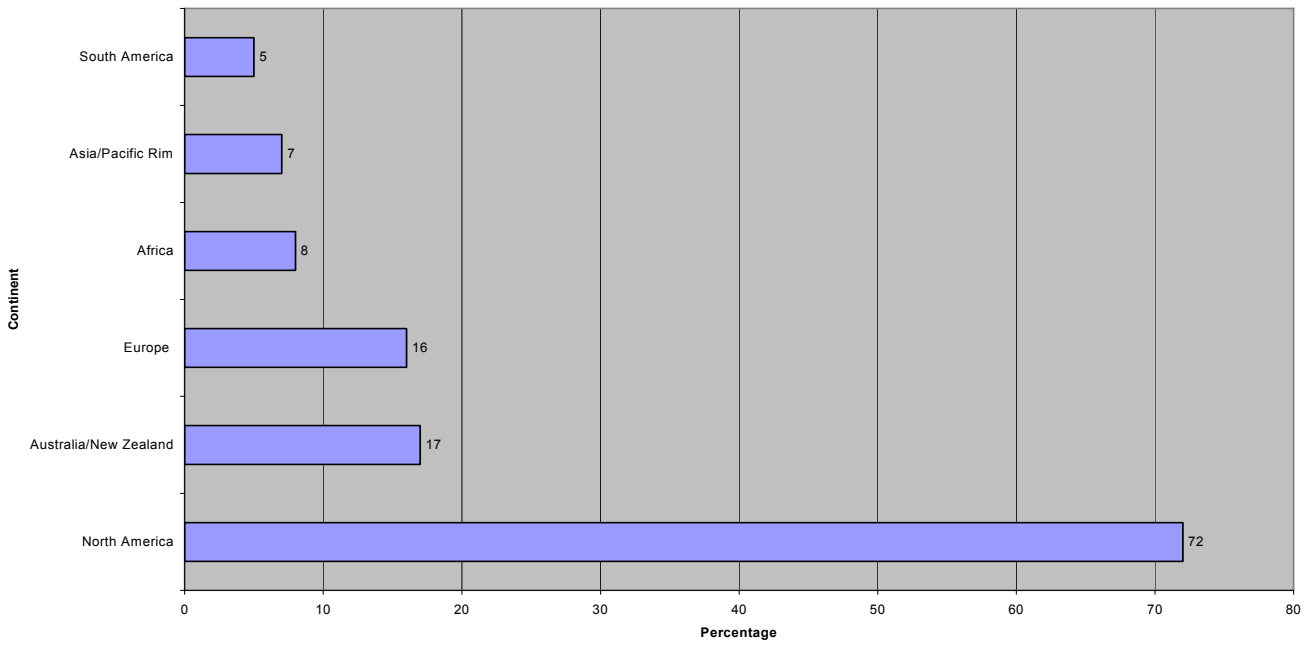


Figure 6: Sponsorship Programs by Region. Source: IEG Report 2004

Sponsored Properties on the World

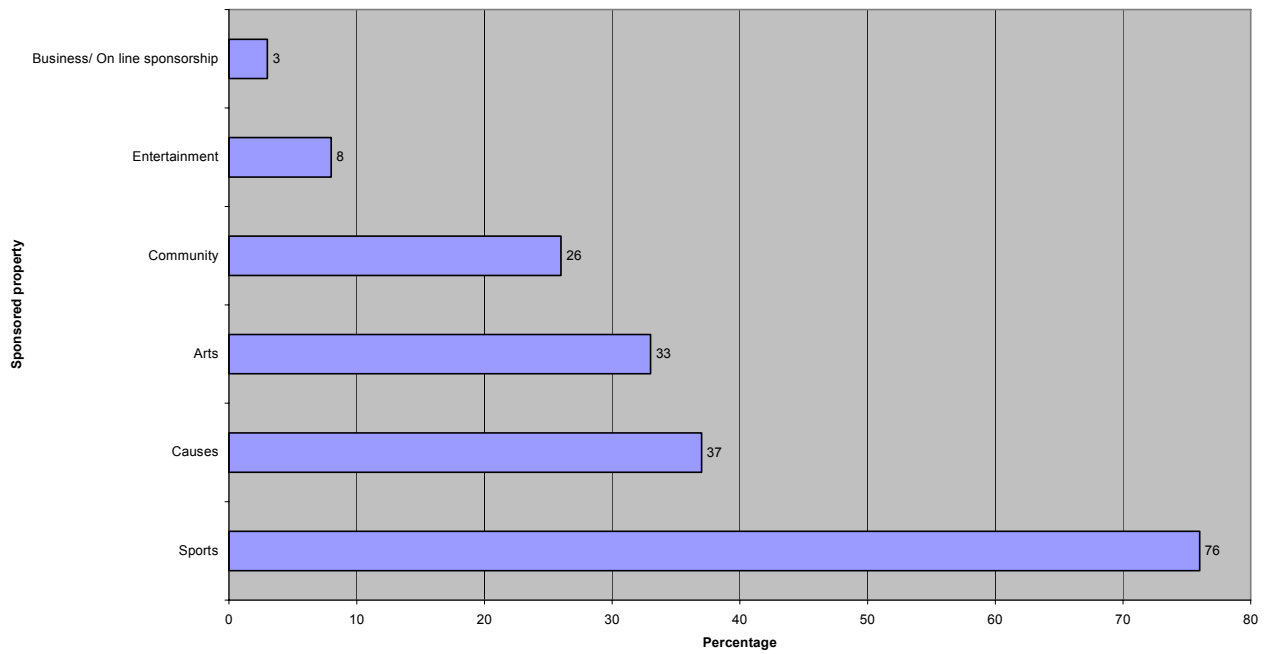


Figure 7: Sponsored Properties on the World. Source: IEG Report. 2004

The continuing growth in sponsorship expenditures can be attributed to a number of factors, both on the demand (sponsor) and supply (sponsee) sides. To explain the forces behind sponsorship growth an approach is based on the demand side (sponsor) and on the supply side (sponsee).⁸⁵ (See table 12)

Demand side factors

The main contributing factors on the sponsors' side are the escalating cost of advertising space along with a simultaneous decrease in advertising efficiency, advertising bans for certain industries and the companies' wish to interact more directly with their customers. Advertising costs have skyrocketed over the last decades, mainly due to the larger number of advertisers and increasingly fragmented media usage of target groups⁸⁶. At the same time, advertising efficiency has decreased.

This means that not only is it harder to reach (i.e., provide a brand stimulus to) potential consumers, but that consumers do not respond to the advertisements as they used to, as they are showing signs of numbness. The average consumer in Germany, for instance, is estimated to be exposed to between 200 and 2,000 commercial messages/day depending on the source) – a number that has literally exploded over the last decades⁸⁷. Furthermore, media consumption has dramatically changed.⁸⁸ It is therefore no surprise that marketers look for new ways of communicating to their consumers, preferably in an environment in which they would react positively to their messages, i.e., perceive, understand, elaborate, and remember them⁸⁹.

As the number of brands competing for attention in the market place has exploded in the last two decades, marketers have realized that providing extensive information, especially using media advertising, cannot duplicate the impact of customers' personal experience with a brand. A number of powerful brands, among them Swatch, Hugo Boss, and The Body Shop, have succeeded in building a very loyal customer base largely through the use of non-traditional media⁹⁰ Arts or sports event sponsorships provide a fruitful base on which to build a branding platform in which consumers can actively participate.

⁸⁵ See Meenaghan (1983, p. 9-10)

⁸⁶ See Levermann (1998, p. 18)

⁸⁷ See Ernd (1993, p. 139), Meyer-Hentschel (1996, p. 12) and Nickel (1999, p. 59)

⁸⁸ See Erber (2000, p. 51 ff)

⁸⁹ See Tomczak, et al. (1995, p. 12)

⁹⁰ See Joachimsthaler and Aaker (1997, p. 14)

Supply side factors

A slow but steady withdrawal of the public sector from cultural and from sports activities has since been observed in many countries. This has not only resulted in the need for events and cultural institutions to look to the private sector for funding, but has also helped the proliferation of a particular view of the public in embracing many previously commercial-free areas by sponsors.

Not only do public sources of funds run dry, there is also increased demand for additional funds. In heavily regulated and – in some countries – litigious environment, the staging of an event is getting considerably more expensive. At the same time, events have expanded the services they offer to participants and spectators.

Lately, the question of co-branding has started to occupy arts and sports event organizers' minds.

Partnering with strong sponsors enables events to significantly raise their profiles and may help acquire additional sponsors. Also, in many cases, sponsorships provide sponsees with access to sponsors' communication channels and customer bases, thereby multiplying their publicity reach.

Demand side: Sponsors	Supply side: Sponsees
<ul style="list-style-type: none">• Escalating cost of advertising space<ul style="list-style-type: none">-Increased competition-Fragmentation of consumer target groups• Simultaneous decrease in advertising efficiency<ul style="list-style-type: none">-Advertising clutter-Consumer saturation• Need of companies for closer interaction with (potential customers)	<ul style="list-style-type: none">• Government policy on subsidies<ul style="list-style-type: none">-Withdrawal of the public sector from cultural and sports activities• Increased need for funds due to higher standards, e.g.,<ul style="list-style-type: none">-Higher safety requirements-Professionalism en lieu of volunteer work• Co-marketing opportunities<ul style="list-style-type: none">-Wider reach (publicity)• Strengthening of sponsee brand through co-branding

Table 12: Forces behind sponsorship growth

Source: Author's own construction based on Meenaghan (1991)

Another argument -in the German literature- describes five reasons for the development of sponsorship:⁹¹

- First, sponsorship is an economic tool. Rising cost for classic communication tools are accompanied by fewer benefits to the advertising company. The ability of classic communication tools to reach determined target groups is less effective today through consumer developments such as “zapping”⁹² or loss of interest in classic advertising. Sponsorship on the other hand benefit from a multiplier effect for instance, through media coverage of a sponsored event. This effect is cheaper than buying advertising-time from the media
- Second, the acceptance of consumers toward sponsorships. Several surveys demonstrate that on an average, 80% of the German population approve engagements of companies in cultural and sports sponsorship. 37% even prefer sponsorships to classic communication tools.
- Third, sponsorship’s advantage lies in reaching target groups with more precision through direct contact during the events, for instance, concerts or arts exhibitions. Other communication tools cannot provide this direct contact with the consumer but will have an effect through approaching their target group using the mass media.
- Fourth, legal restrictions can influence a company’s decision to engage in sponsorships for their communication purposes. This happened in the tobacco industry, when in 1974 a legal decision was made to ban tobacco companies from advertising on TV and in cinemas. As a result they started to communicate with their consumers through sport sponsorship as can be seen in Formula 1.
- Fifth and last, the good image transfer condition that sponsorship provides. The attention an image of persons and events can be used to charge the sponsor’s current image into a desired image. For instance, the German Post sponsors the professional German Cycling team to enhance the company’s image with the attribute of speed and efficiency.

Several reasons are argued to interpret this economic phenomenon in the current complex environment; it is a fact that sponsorship is in a continuing growth and – particularly- accepted by companies and consumers as a communication tool all around the world.

⁹¹ See Bruhn (1998, p. 31)

⁹² Zapping is the name given to the process of switching between different TV channels and avoiding commercials.

4.1.2 Definition of cultural sponsorship

Cultural sponsorship is the name of sponsorship activities in the field of culture. Adapting a definition from the previous critical review the most accurate definition is: “Cultural sponsorship is the provision of assistance by a commercial organization (sponsor), in cash or kind, to a cultural property (sponsee), in exchange for the rights to be associated with the cultural property for the purpose of gaining commercial and economic advantage”⁹³

Sponsorship investment has been historically directed toward sports primarily because of its flexibility as a communication vehicle and because of the opportunity it affords for association with increasingly commercially driven phenomena: sport and its heroes. Consumers all over the world are enchanted by sports, as they search leisure activities as a diversion from their daily routine.⁹⁴ Sport is a vehicle that enables electronic media exposure, including the increasingly accessible communication technologies such as cable, satellite, and microwave. Moreover, it can be employed to reach multi-segment or niche audiences ranging broad of demographic and psychographic profiles. In particular, sports sponsorship usually delivers young audiences that are typically difficult to reach by more traditional marketing communication methods.

In the past, discussion on cultural (arts) sponsorship suggested an elitist view on what constitutes “the arts”. Such discussions worked on an implicit definition of art as “fine art” and therefore referred areas such as art exhibitions, classical music, dance, drama, museums, and literature. In sponsorship terms, such activities facilitated access to specific groups of people at the upper end of the social strata and especially key corporate decision-makers.⁹⁵ Hence, the arts, compared to sports, enjoy a significantly lesser public profile and a smaller share of the sponsorship money as they are *perceived* as less lucrative, deemed “exclusivist” and “inaccessible” by some corporations, and thought to preclude mass participation. Arts audiences are distinct from sports audiences: they consist of different demographic and socioeconomic groups that are typically older, more affluent, or highly educated, and on aggregate, a great deal smaller in numbers than sport audiences overall. As such, arts events generally attract less media coverage and publicity than sports events, and while attractive as a niche vehicle, they appeal less to commercial sponsors targeting large market segments. Some, however, have predicted that arts sponsorship investment will grow as a result of the

⁹³ See Tripodi (2001, p. 2)

⁹⁴ See Meenaghan (1991, p. 9)

⁹⁵ See Meenagahn (1998, p.13)

increasing saturation of sports properties and the burgeoning cost of larger events and bigger sporting heroes.

Many of the arts participants belong to the “middle-upper” and “upper” social class, as they are more affluent.⁹⁶ As there is an increasing acceptance of sponsorship among organizers of arts activities, more sponsorship opportunities are available. With its ability to reach target audiences/potential customers accurately and to provide images such as style and quality of life, the arts are a good instrument for marketers, especially for those that are selling “up-market” products, to utilize. Nevertheless “popular arts” can also be included in the arts sponsorship classification. The arts participant in this context is young, accessible, friendly, current, innovative, and commercial.⁹⁷ Arts activities, no matter if it is “fine arts” such as classical music, opera, drama, ballet, museums and art exhibitions or “popular arts” such as pop music and film, are becoming more important worldwide. When societies and countries become developed, more people are educated and wealthy. Thus they are more involved in arts activities during their leisure time.

Examples of cultural sponsorship can be found as far back as the 1950s. Rowohlt, the German publisher, allowed sponsors to place advertisements in its popular “rororo” paperback book series. In their advertisements, sponsors pointed out how, thanks to their support, the books were available to more people at lower cost.⁹⁸ While corporate giving has a long tradition in the Anglo-Saxon world, cultural sponsorship only became a mainstream phenomenon throughout Europe in the early 1980s. The need for cultural institutions to look for funding sources beyond the state coincided with the demand of companies to advertise to target groups, which were elusive or hard to reach through their traditional advertising and sponsorship activities. Sponsorship of the popular arts, especially music, is now a common practice and widely accepted among the target groups. Several researchers refer an intrusive character of commercial sponsorship as more critically regarded in the more sophisticated and elitist arts.

Yet, there has been little, if any, rigorous research undertaken in the field of cultural sponsorship to date. This may be the result of corporate reluctance to admit their profit motives in relation to the arts, or may stem from a time lag in the realization that better performance can only result from repeated and objective evaluations of the results of such communication efforts.

⁹⁶ See Quester and Thompson (2001, p. 33)

⁹⁷ See Meenaghan (2001, p.103)

⁹⁸ See Dishinger (1992, p. 5)

4.1.3 Cultural sponsorship's application fields

To introduce in a systematic way the different forms of cultural sponsorship follows a classification based on arts genre and individual category.⁹⁹

(1) Visual arts

The main importance for cultural sponsorship in this field lies in expositions. Special exhibitions in museums offer a good forum for the enterprises, not only because of the limited and manageable time but also because of the discussion on the media. Sponsorship actions can be catalogues production, purchases or contracts for individual artists. Besides the public museums and arts halls, private galleries can also benefit from sponsorship activities.

In the last years there are been also many awards and grants in this field offered by diverse business organizations.

(2) Performing arts

The main importance for cultural sponsorship in this field lies on individual representations or festivals. Festivals are understood as theatre productions developed according to dramaturgical criteria. Festivals offer the sponsor an advantage because they underlie higher public interest than theatre repertoire productions. About individual repertoire representations is reported only once, a report after the premier. About festivals is reported continuously not only about the production itself but also about related themes. (i.e., sponsors)

(3) Musical arts /Music

The main importance for cultural sponsorship in this field lies on concerts and recorded music. Here can be distinguished two kinds of music: On the one hand, what the Germans called „ernste Musik“; free translated as serious music, on the other hand the light music. This is a questionable classification, but it can be useful as a simple guideline; according to this classification classical music corresponds to the first type and pop music to the second one.

A justification of this classification can be found on the different financing forms: Concert city halls, also public financed cultural institutions, presented predominantly serious music, because private support is not the only one. It is different by pop music presentations, because they hardly became public support. In the case of recorded

⁹⁹ See Bruhn (1998, p. 198) and Fehring (1998, p. 75)

music the sponsorship activities focus mostly in material support, i.e. the provision of technical equipment.

(4) Poetic arts / Literature

Cultural sponsorship on this field is about all forms of literature, lyric poetry, epic (narrative) literature, and dramatic art. Journalistic texts can be also included today in this field. The sponsorship activities from enterprises include support for individual authors, and edition of individual works, for example book special editions. Like in the visual arts, firms offered literature awards. Poetry arts / literature in relation to cultural sponsorship play a secondary role.¹⁰⁰

(5) Cinema

This field offers the sponsors comprehensive genre possibilities, for example by the classical form of film awards or film festivals. The sponsorship activities in the cinema field can take the form of material support or services, which diminish the technical production's costs.

If there is not a clear separation between advertising and arts in a broad cultural conception, there would be possible that an advertising film -despite its commercial production motives- receives the same support than other film genres.

In this area, besides cultural sponsorship, product placement¹⁰¹ and media sponsorship can be applied.

(6) Cultural heritage

In a broad comprehension of cultural heritage, preservation of monuments and historic buildings, restoration, and promotion of socio cultural centres in the city, can be included. One of the most important cultural sponsorship actions in this field in Germany was the reconstruction of the "Dresdner Frauenkirche" that was finished this year.¹⁰² Socio cultural centres are communal institutions that offer artistic exhibitions, free time programs for children and young people, and educational activities for its citizens.

The table below summarizes all the arts genres –classified in individual categories– sponsored by enterprises.

¹⁰⁰ See Bruhn (1998, p. 198)

¹⁰¹ Product placement is colloquial called surreptitious advertising.

¹⁰² The reconstruction of the „Frauenkirche was sponsored by the Dresdner Bank“

Arts genre	Individual category	Arts genre	Individual category
Visual arts	Painting Sculpture/plastic Graphic arts/print Architecture Photography Design/textile Installations	Poetic arts/Literature	Fictional literature Dramatic art Essays TV plays, radio plays Lyric poetry Non fictional literature Journalistic texts
Performing arts	Theatre Opera Ballet Dance Musicals Social or political satire	Cinema	Big screen movie Television movie Video film Documentary film Trick film Advertising film
Musical arts/Music	Classical music Avant garde music Light music (jazz, rock, pop, folk, chanson, etc.)	Cultural heritage	Preservation of monuments and historic buildings Restoration Socio cultural centres

Table 13: Arts genres sponsored by enterprises
Source: Adapted from Fehring (1998, p. 76) and Bruhn (1998, p. 199)

The diversity of the cultural sponsorship phenomenon shows a broad spectrum of cultural sponsored applications. All arts genres, cultural institutions, and artists can be basically beneficiaries of private cultural sponsorship.

As mentioned before several authors on the subject of sponsorship tend to associate the arts with a quality upper-class image. However in many cases this narrow interpretation fails to appreciate the potential of mass culture activities such as pop art, rock music, mass appeal literature, etc, to deliver the desired image for companies whose products appeal to a mass youth audience. As stated before sponsorship of the popular arts is now a common practice and widely accepted among the target groups. For instance popular music in the modern day industry, with escalating touring costs provides an increasing justification for sponsorship support.

This classification weakens so far the argument of elitism regarding arts sponsorship activities.

4.2 Cultural sponsorship economic analysis

As mentioned in the methodological chapter the research contains the analysis of product differentiation and persuasive advertising models in order to interpret cultural sponsorship given these frameworks. It is necessary to emphasize that sponsorship is an established tool in the communication mix, deployed around the world. Sponsorship allows reaching target groups that other communication tools can't.

First, cultural sponsorship presents several aspects as an economic problem related to advertising and product differentiation.

As stated before in section 4.1.1 the average German consumer is exposed to 200/2000 messages a day. Advertising has decreasing marginal benefits in relationship to costs as shown on the figure below. Sponsorship could act here as a complement in combination with advertising in order to increase the marginal effects.

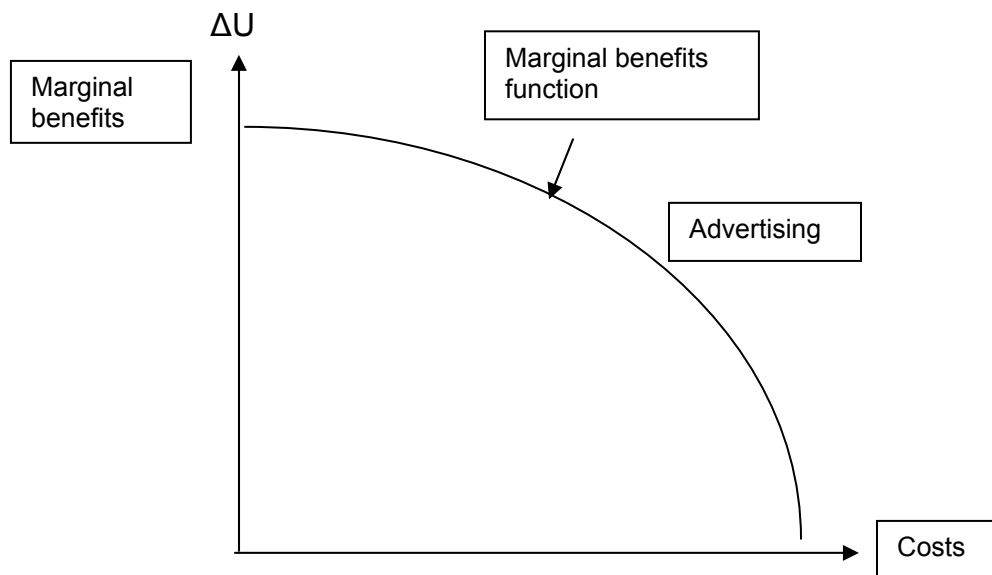


Figure 8: Advertising: costs versus marginal benefits
Source: Adapted from Tirole (1989).

Another comparison between advertising and sponsorship¹⁰³ in terms of audience delivered and the associated cost is shown in figure 9. The associated costs were calculated utilising a cost per-thousand approach. The suggestion is that for certain audience levels sponsorship is more cost-effective than advertising, but because of the nature of sponsorship as a promotion medium, advertising may be cheaper for larger

¹⁰³ See Waite (1979, p. 234 ff)

audience sizes. A level of investment of x_2 in advertising will deliver an audience size of y_1 while a similar investment in sponsorship will deliver y_2 . However, because of the nature of sponsorship there is frequently a definite ceiling on the extent of the media coverage as, for instance, in the case of opera coverage where the total audience reached has an upper limit regardless of the level of sponsorship expenditure. Nevertheless, advertising by its very nature has the potential to reach an increasing audience in appropriate situations as investment increases.

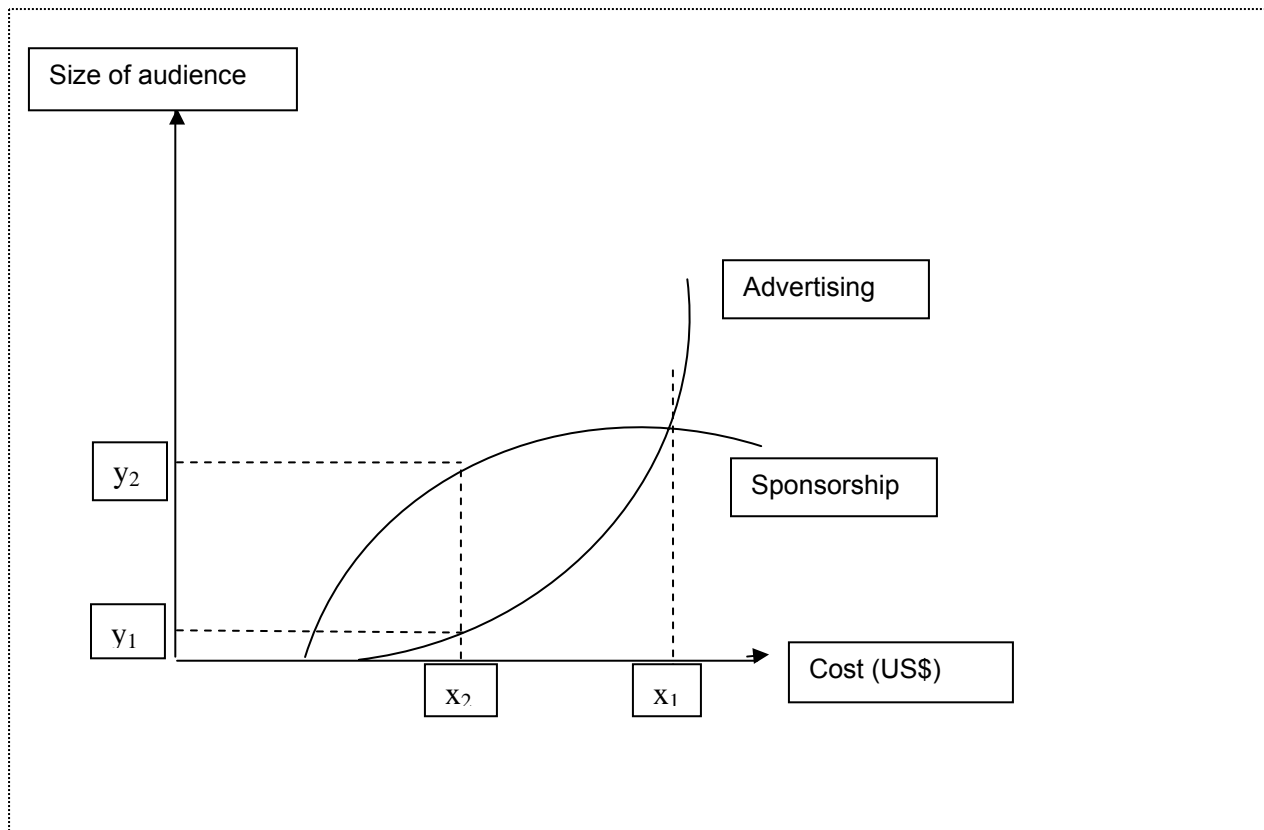


Figure 9: A cost/audience comparison between sponsorship and advertising
Source: Waite (1979, p. 234)

To clarify the distinction between sponsorship and advertising, one argument claims that the two activities differ according to their audiences: advertising targets viewers whereas sponsorship targets active participants, spectators, and media followers.¹⁰⁴

However, that distinction does not seem to hold with examples such as billboards, which are a form of advertising but can also target participants, spectators, and media followers when they are installed at an event.

¹⁰⁴ See Hastings (1984, p. 173)

Another argument differentiates advertising and sponsorship in terms of the content of their message. It explains that advertising, "creates the message using a mixture of visuals, vocals, and context", whereas sponsorship can be "described as a 'mute,' non-verbal medium".¹⁰⁵ That comparison underscores the importance of exploiting the association between a sponsor and a sponsee with additional promotional activities such as advertising.

Second, the reasons to engage in cultural sponsorship are mainly related to image, internal motivation and brand loyalty. According to empirical literature on this behalf¹⁰⁶ a broad classification of cultural sponsorship effects could consider three target groups: community, to which the image or reputation is assumed as the main effect, employees, to which the motivation is assumed as the main effect and last but not least the consumers, to which the brand loyalty is assumed as the main effect regarding cultural sponsorship. If there is a strong brand loyalty among consumers, it will be difficult for a new entrant to convince consumers to switch brands. The entrant will have to offer better terms of trade, -lower price, better quality, etc- to convince consumers to switch. Alternatively, it may have to engage in greater advertising or cultural sponsorship than incumbents.

Third, cultural sponsorship is oriented to differentiate the firm's or brand's image, while advertising is mainly oriented to differentiate the products themselves.

Cultural sponsorship has similarities with persuasive advertising. Persuasive advertising is assumed to change consumer tastes.

In a monopoly for every price persuasive advertising shifts the demand function upwards. The Dorfman-Steiner condition states that monopolist's optimal advertising-to-sales ratio is equal to the ratio of the elasticities of demand with respect to advertising and price: i.e more advertising the greater the price-to-cost margin and more advertising when demand is more sensitive to advertising expenditures.

In competition, persuasive advertising has three possibilities:

- 1. *Advertising as a public good*: a firm's advertising campaign benefits all the sellers in the industry: free-riding effects lead to less advertising than desirable, and advertising falls as the industry becomes less concentrated. *Free riding* is getting the benefit of a good or service without paying for it, not necessarily

¹⁰⁵ See Meenaghan (1983, p. 54)

¹⁰⁶ For a detailed explanation see Schwaiger (2001) and Hermanns (2004)

illegally. This may be possible because certain types of goods and services are actually hard to charge for—a firework display, for instance. Another way to look at this may be that the good or service has a positive externality. However, there can sometimes be a free-rider problem, if the number of people willing to pay for the good or service is not enough to cover the cost of providing it. In this case, the good or service might not be produced, even though it would be beneficial for the economy as a whole to have it.¹⁰⁷

Advertising is cooperative in this case, and each firm's advertising confers a positive externality on the other firms, which the advertising firm will not take into account when choosing the profit-maximizing level. This will lead to total advertising's being undersupplied in equilibrium compared to the amount that would be profit maximizing for the industry as a whole.

- 2. *Advertising as a private good*: a firm's advertising campaign steals demand from the other firms: over-investment in advertising, prisoner's dilemma type of situation. The *prisoner's dilemma* is a favourite example in game theory which shows why co-operation is difficult to achieve even when it is mutually beneficial. Two prisoners have been arrested for the same offence and are held in different cells. Each has two options: confess, or say nothing. There are three possible outcomes. One could confess and agree to testify against the other as state witness, receiving a light sentence while his fellow prisoner receives a heavy sentence. They can both say nothing and may be lucky and get light sentences or even be let off, owing to lack of firm evidence. Or they may both confess and probably get lighter individual sentences than one would have received had he said nothing and the other had testified against him. The second outcome would be the best for both prisoners. However, the risk that the other might confess and turn state witness is likely to encourage both to confess, landing both with sentences that they might have avoided had they been able to co-operate in remaining silent. In an oligopoly, firms often behave like these prisoners, not setting prices as high as they could do if they only trusted the other firms not to undercut them. As a result, they are worse off.

Advertising is predatory in this case, and the opposite is true: the externality is negative, and thus the amount of advertising in equilibrium will be excessive from the perspective of the industry as a whole.

¹⁰⁷ Public goods are often at risk of free riding; in their case, the problem can be overcome by financing the good by imposing a tax on the entire population.

Advertising has typically both roles: which effect is stronger? Is there too much or too little advertising? In concentrated industries it is not easy to steal business, the free-riding effect dominates: too little advertising. In less-concentrated industries, large incentives to steal business dominate free-riding: too much advertising.

- 3. *Advertising as an exogenous barrier to entry*¹⁰⁸ means that a minimum amount of advertising is required to enter some industries in order to reach a “threshold” level of consumer awareness.

When advertising is an exogenous sunk cost, any increase in the advertisement investment required to enter the industry will increase the equilibrium level of concentration.

The private incentives to advertise are generally misaligned: under monopoly, advertising will be sub-optimal due to the non-appropriability of social surplus. Under competition the business-stealing effect may lead to an excessive amount of advertising.

Fourth, advertising via sponsorship is an effective way to increase brand awareness. Apart from providing extended, cost efficient coverage of brand and company names, cultural sponsorship delivers a number of other important side benefits to the companies involved.

- It enhances the corporate image of the company involved,
- It associates products with the sponsored activity, ensuring that the “image” of the activity is inextricably linked with the brand name and
- It spawns a base of support for continued advertising, in the activity of threatened bans.

Summarizing, the existence of cultural sponsorship as an economic problem is stated, the reasons to engage in cultural sponsorship are mainly related to image, internal motivation and brand loyalty, cultural sponsorship is oriented to differentiate the firm’s or brand’s image, while advertising is mainly oriented to differentiate the products themselves, and sponsorship is an effective way to increasing brand awareness, provides extended, cost efficient coverage of brand and company names as well as associates products with the the sponsored activity.

¹⁰⁸ For a detailed explanation see Bain (1956)

In order to interpret cultural sponsorship in a framework regarding product differentiation in the following it will be considered three models: horizontal differentiation, vertical differentiation and persuasive advertising.

The sequence to discuss the above mentioned papers is as follows: First, the general framework about product differentiation and advertising is presented. Second, the specific aspects of the models are discussed considering the general framework, the assumptions, the consumer utility functions and conclusions and results interpreting cultural sponsorship in each model. Third, the general conclusions are presented.

*Product Differentiation*¹⁰⁹

“Some consumers will prefer buying the firm’s brand even at a small premium because it is available at a closer store, can be delivered sooner, or comes with superior post-sale services; some other consumers will remain faithful to the high-price firm because they are unaware of the existence of other brands; still other consumers will be concerned that alternative brands do not have the same quality or will not satisfy their preferences as well. In short, the products are differentiated.”¹¹⁰

Product differentiation models - the horizontal (spatial) models and the vertical-differentiation (quality) models - are quite useful because they make important predictions about business strategy. Advertising has effects on consumer demand and product differentiation. Competition in advertising is one of the main dimensions of non-price competition.

Offered under different brands by competing firms, products fulfilling the same need typically do not have identical features. The differentiation of goods along key features and minor details is an important strategy for firms to defend their price from levelling down to the bottom part of the price spectrum. Within firms, product differentiation is the way multi-product firms build their own supplied products' range. At market level, differentiation is the way through which the quality of goods is improved over time thanks to innovation. Launching new goods with entirely new performances is a radical change, often leading to changes in market shares and industry structures. In an evolutionary sense, differentiation is a strategy to adapt to a changing environment and its social groups.

¹⁰⁹ For a more detailed explanation see Tirole (1988), Martin (2001) and Bester (2003)

¹¹⁰ See Tirole (1988, p. 277)

When products are different according to features that can't be ordered, a *horizontal differentiation* emerges in the market. A typical example is the ice-cream offered in different tastes. Chocolate is not "better" than lemon. Horizontal differentiation can be linked to differentiation in colors (different color version for the same good), in styles (e.g. modern / antique), in tastes. This does not prevent specific consumers to have a stable preference for one or the other version, since it can be always be distinguished what belongs to the supply structure and what is due to consumers' subjectivity. It is quite common that, in horizontal differentiation, the supplier of many versions decide a unique price for all of them. Chocolate ice-creams cost as much as lemon ones.

When consumers don't have strong stable preferences, a rule of behaviour can be to change often the chosen good, looking for variety itself. An example is when one goes to a fast food chain and orders something one hasn't eaten the previous time.

Fashion waves often emerge in horizontally-differentiated markets with imitation behaviours among consumers and specific styles going "in" and "out". How a product rates according to different measures of quality or taste depends on its physical and immaterial characteristics. The raw material from which it has been built, its engineered design, its production process are typical determinants of product specificity.

Product differentiation can be:

- the indirect effect of different endowments in raw materials, know-how, style preference of different firms, ignoring each others;
- the conscious choice, out of firm strategies, to position each product against competitors;
- the costly, uncertain, and difficult outcome of innovation efforts.

Differentiated versions of a good can have widely different costs of production. Upstream, they may be produced using different raw materials and semi-manufactured parts, thus referring to diverse suppliers and their relative market power.

Products are horizontally differentiated if consumers have heterogeneous preferences regarding the most preferred mix of different attributes –there is no agreement among consumers regarding which particular product or brand is the best. When the tastes of consumer are asymmetric and prices identical, a wide range of substitutable products are demanded.

Vertical differentiation occurs in a market where the goods that are present can be ordered according to their objective quality from the highest to the lowest. It's possible to say in this case that one good is "better" than another.

Vertical differentiation can be obtained:

1. along one decisive feature;
2. along a few features, each of which has a wide possible range of (continuous or discrete) values;
3. across a large number of features, each of which has only a presence/absence "flag".

In the second and third cases, it is possible to identify a product that is better than another one according to one criterion but worse than it in respect to another feature.

Vertical differentiation is a property of the supplied goods but, as it is maybe needless to say, the perceived difference in quality by different consumer will play a crucial role in the purchase decisions.

In particular, potential consumers can have a biased perception of the features of the good (say because of *advertising* or social pressure).

If one compares widely different goods fulfilling the same (highly-relevant) need, one may distinguish at the extreme of your spectrum necessity goods and at the other extreme luxury goods. In other cases, what makes this difference is, instead, the nature of the need fulfilled.

As a general rule, better products have a higher price, both because of higher production costs (more noble materials, longer production, more selective tests for throughput, etc.) and bigger expected advantages for clients, partly reflected in higher margins. Thus, the quality-price relationship is typically upwards sloped. This means that consumers without their own opinion nor the capability of directly judging quality may rely on the price to infer quality. They will prefer to pay a higher price because they expect the quality to be better. This important flaw in knowledge and information processing capability can be purposefully exploited by the seller, with the result that not all highly priced products are of good quality. Through this mechanism, the demand curve - that in the neoclassical model - is always downward sloped can instead turn out to be in the opposite direction.

*Advertising*¹¹¹

Advertising is not undertaken in a monopolistic vacuum. In most markets, it is unrealistic to consider only the marketing activity of a single firm. Typically, the activities of competitors have a significant impact.¹¹²

From the beginning of the economic analysis of advertising, three views emerged. *The persuasive view* states that advertising primarily affects demand by changing tastes and creating brand loyalty. The advertised product thus faces a less elastic demand. This elasticity effect suggests that advertising causes higher prices, though this influence may be moderated by the presence of production scale economies. The persuasive view holds further that advertising may deter entry. Consumers are reluctant to try new products of unknown quality, and this experience-based asymmetry between established and new products may be exacerbated in the presence of heavy advertising by established firms. Advertising may be particularly effective in this regard if there are scale economies in advertising or production.

The informative view states that advertising primarily affects demand by conveying information. The advertised product thus faces a more elastic demand. This elasticity effect suggests that advertising causes lower prices, an influence which is reinforced when production scale economies are present. The informative view suggests further that advertised products are generally of high quality, so that even seemingly uninformative advertising may provide the indirect information that the quality of the advertised product is high. There are three reasons for this suggestion. First, the demand expansion that advertising induces is most attractive to efficient (low-cost) firms, and such firms are likewise attracted to demand expansion achieved by offering low prices and high-quality products. Second, the product experience memories that advertising rekindles are most valuable to firms with high-quality products, since repeat purchases are then more likely. Third, a firm sensibly targets its advertising toward consumers who would value its product most. The informative view holds further that advertising is not used by established firms to deter entry; instead, advertising facilitates entry, since it is an important means through which entrants provide price and quality information to consumers.

¹¹¹ For a more detailed explanation see Bagwell (2005)

¹¹² See Little (1979, p. 643)

Finally, *the complementary view* states that advertising primarily affects demand by exerting a complementary influence in the consumer's utility function with the consumption of the advertised product. As an example, it may be that a consumer values "social prestige" and advertising may then serve as an input that enables the consumer to derive more social prestige when the advertised product is consumed. The complementary view is logically distinct from the persuasive view, since the complementary view holds that consumers possess a stable set of preferences into which advertising enters as one argument. The complementary view is also logically distinct from the informative view, since under the complementary view advertising may affect consumer demand even if it contains no (direct or indirect) information. An important benefit of the complementary view is that the fixed-preferences assumption permits a straightforward welfare analysis of seemingly persuasive (or at least uninformative) advertisements. Under this view, the market may provide too little advertising, since the advertising firm does not internalize the full increase in consumer surplus that its advertising engenders.

The table below summarizes the frameworks for interpreting cultural sponsorship.

Product differentiation feature	Brief description	Main model for analysis	Reference models
Horizontal differentiation	Emerges in the market when products are different according to features that can't be ordered.	Tabuchi (1994)	Ansari et al (1998) Scrimatore (2002)
Vertical differentiation	Occurs in the market where the several goods that are present can be ordered according to their objective quality from the highest to the lowest. It's possible to say in this case that one good is "better" than another.	Vandenbosch and Weinberg (1995)	Shaked and Sutton (1982) Hauser and Shugan (1983) Hauser (1988)
Advertising	Firms sell differentiated products and consumers respond to advertising. The effect depends upon the facts of the case	Fehr, von der and Stevik (1998)	Becker and Murphy (1993) Tremblay (2002)

Table 14: Economic frameworks to interpret cultural sponsorship Source: Authors own construction

In order to discuss the above mentioned models, several issues regarding cultural sponsorship should be presented before. Multiple distinctions can be made among various types of attributes of a product¹¹³, e.g. characteristic, beneficial, and image attributes; or tangible and intangible attributes. Product attributes are generally defined in marketing research textbooks as tangible and intangible characteristics of products that provide „subjective satisfactions“, or „needs satisfaction to consumers“. The cultural sponsorship engagement by intuition is assumed to provide a subjective satisfaction for consumers who appreciate culture. Regarding multi-attribute products an image variable is defined as some aspect of the product that is distinct from its physical characteristics but that is nevertheless identified with the product.¹¹⁴ Examples of image variables include brand name, symbols used in advertising, endorsement by a well-known figure (endorsement by an activity in cultural sponsorship) and country of origin for markets in which imported brands have a significant presence.

Most commonly in consumer products industries, the differentiation type implies a large number of brands that are available and the products vary in physical attributes and images. Products like automobiles are examples. The differentiation is spatial, i.e. products are located at various positions in an abstract characteristics space. Product differentiation appears in multiple guises and the most obvious situation is one in which producers respond to different consumer tastes by offering different sets of product attributes or projecting different product images and personalities. For example a consumer whose experience suggests that AUDI car drivers are associated with a “cultural image” could appreciate this attribute when his or her preferences are culture-oriented. In the Vandenbosch- and Weinberg’s model¹¹⁵ of vertical differentiation, characteristics are assumed to be analogous to perceptual dimensions or product attributes. Asked about his model Tabuchi wrote to the researcher that: “The two dimensions of the product can be differentiated either by geography (for example: distance, transport cost) or by quality (for example: colour, design). I think any attributes can be considered as the two dimensions of the product.”

Taken in consideration the above mentioned issues and in order to interpret the cultural sponsorship engagement in the differentiation models it will be assumed as an image variable in both characteristic’s spaces.

¹¹³ See Wright and Lynch (1995, p.708)

¹¹⁴ See Erickson et al (1984, p. 694)

¹¹⁵ See Vandenbosch and Weinberg (1995, p. 227)

*Model of horizontal differentiation*¹¹⁶

Framework

The results achieved in recent years by the theory of product differentiation may well explain its increasing relevance in the analysis of industrial organization. The theory rests on the idea that in the presence of a differentiated demand, the strategic interaction among firms develops along two lines: the prices charged and the characteristics chosen by a firm and its competitors. One of the most investigated topics in this field is the analysis of the locational equilibria in a horizontally differentiated market. The horizontal Hotelling model has been widely used in order to discuss problems related to the spatial price competition, the optimal price attributes, the optimal product attributes, the optimal plant location, etc., and has found applications in the spatial economics literature. These models mainly focus on the existence of a Principle of Maximal or Minimum Differentiation.¹¹⁷

This paper analyzes the Hotelling's model of spatial duopoly on a two-dimensional space, where the first stage is the location game, and the second stage is the price game. In a multistage game the existence of both price equilibrium and location equilibrium is necessary, therefore, the author suppose duopolistic firms, a quadratic transportation cost, and uniform rectangular distributions of consumers. (See figure 10)

It is difficult to observe maximal differentiation in the characteristics space. The existence of a greater or a lower differentiation clearly depends on the interplay of a price competition effect: when the latter prevails, the firms' strategies are found to exhibit a strong tendency towards agglomeration in the middle; by contrast, when the demand effect is outweighed by the price competition effect, moving away is the optimal behaviour. Recently this debate has been extended to cover situations to multidimensional models, as in this model. If the product space is multidimensional, firms maximize product differentiation in the dominant characteristic and minimize differentiation in the other dimensions. The two endogenous dimensions of the product can be differentiated either by geography (distance, transport cost) or by quality (colour, design). Any attributes can be considered as the two dimensions of the product. When assuming the two dimensions of horizontal differentiation, no a priori difference exists between the two.

¹¹⁶ The model analyzed to interpret cultural sponsorship is Tabuchi (1994)

¹¹⁷ See Scrimatore (2002, p. 2)

Assumptions

The model uses two dimensions to characterize the product space and assume that consumers have heterogeneous perceptions of the products. (Not everyone appreciates arts.) Consumers are using a consistent decision rule to evaluate each of the dimensions. One dimension is product features and the other dimension is cultural sponsorship engagement. Marginal costs are assumed to be constant (and equal to zero) for all product positions.

Products are comprised of non-negative valuations on two characteristics “x” and “y”. x and y are located on the spatial location like Hotelling model. The point (x_i, y_i) represents each firm’s product. The model assumes that the consumer suffers a utility loss which is quadratic in the Euclidean distance between the chosen product and the most preferred variant in the product space. The distribution of consumers is uniform.

The firms are limited with their product design decision to $x_i \in [0, 1]$, $y_i \in [0, 1]$, the product space on which the parameters of the consumers’ preferences are uniformly distributed. In a horizontally differentiated product space, tastes vary across the population resulting in a distribution of individual ideal characteristic levels. Example: the taste for arts or for cultural events.

For the horizontal differentiation model the goods are different and therefore developed in an ideal point model.

Examples:

- a) Audi A8, Mercedes S- Class, BMW 7 Series
- b) Audi A6, Mercedes E-Class, BMW 5 Series
- c) Audi A4, Mercedes C-Class, BMW 3 Series

Consumers don’t prefer more of each characteristic to less. Tastes are different. Price enters negatively in to the consumer’s valuation equation. Consumers are able to observe product characteristics and prices before they make their purchase decision. Consumers’ reservation prices [R] for a product in this market may vary but are high enough to ensure that all consumers buy. Each consumer is restricted to purchase one unit- either from firm 1 or firm 2.

The assumptions of the model ensure the existence and uniqueness of one price equilibrium. ¹¹⁸

¹¹⁸ See Caplin and Nalebuff (1991, p.29)

Consumer's utility function

A consumer's utility for product i can take the form:¹¹⁹

$$U = R - \theta_1(x_i - x)^2 - \theta_2(y_i - y)^2 - p_i,$$

for $i = 1, 2$

Variables:

R = reservation price

p_i = price of firm i 's product

θ_1, θ_2 = the weight that the consumers attach to attributes

θ_1 = importance of the product features

θ_2 = importance of cultural sponsorship engagement for the customer

Point (x, y) = the location of one consumer

D_1 = demand of firm 1; D_2 = demand of firm 2

π_1 = profit of firm 1; π_2 = profit of firm 2

The transportation cost which a consumer has to incur is assumed to be a quadratic function of the distance between the consumer and the nearer firm. The quadratic transportation cost not only ensures the existence of the price equilibrium, but also generates a straight line division of the market.¹²⁰

The demand for product i is generated by consumers who obtain greater utility from it than from the other product. Consumers' ideal points are distributed uniformly over the attribute space; consumers also possess perfect information about brand positions and prices in the market. (Mature market). Cultural sponsorship can be assumed as being practice by firms in mature markets in order to "reformulate product features" as max-min. This is a two-stage location-price game.

A marginal consumer at (x, y) is indifferent between firms 1 and 2,

$p_1 + \theta_1(x_1 - x)^2 + \theta_2(y_1 - y)^2 = p_2 + \theta_1(x_2 - x)^2 + \theta_2(y_2 - y)^2$, which is always a straight line, because the quadratic terms are eliminated when the equation is calculated.

Assuming zero production cost without loss of generality, each firm maximizes its profit:

$$\pi_1 = p_1 D_1, \quad \pi_2 = p_2 (1 - D_1).$$

¹¹⁹ This model presented in the dissertation is based on Ansari et al (1998, p. 210). Tabuchi has no weights but allowed for a rectangularly shaped fixed area. Ansari et al show that there is a formal equivalence between the two models, that is a rectangle tall in the first dimension in Tabuchi is equivalent to a high preference weight in the first dimension in their model.

¹²⁰ For a detailed explanation see Tirole (1988)

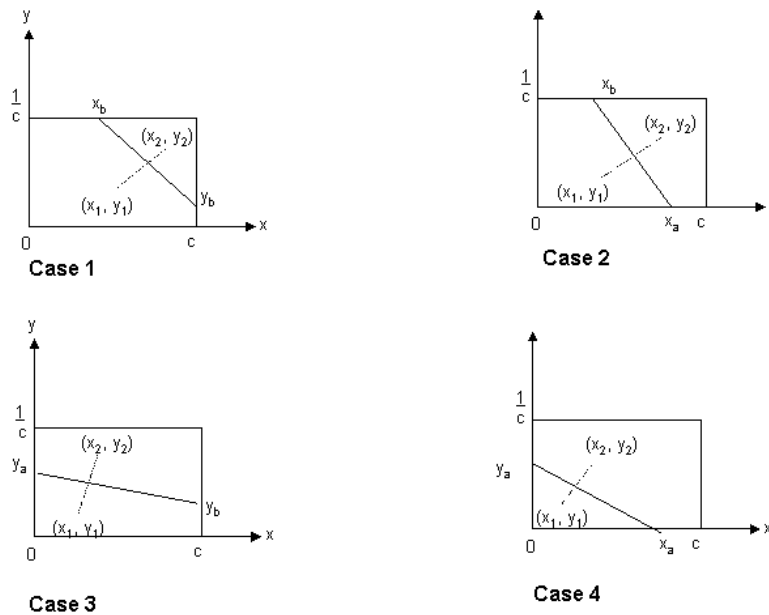


Figure 10: Four cases of market division under a rectangular distribution of consumers
 Source: Tabuchi (1994, p. 213)

The lengths of sides on the distribution of consumers over the rectangle are c and $1/c$. Where $0 \leq x_1 \leq x_2 \leq c$, and $0 \leq y_1 \leq y_2 \leq 1/c$. Depending on the values of x_a , x_b , y_a and y_b , divisions of the rectangular market are classified in the four cases as in figure 10.

The first-stage Nash location game for rectangular distributions of consumers implies in the context of product characteristics space that firms tend to maximize product differentiation in one characteristic (location of each side) while they minimize it in the other characteristic (location at the centre of each side). There is a simultaneous choice of location.

In a sequential choice of location the first stage is a Stackelberg leader-follower location game while the second stage is a Nash price subgame. The sequential location eliminates one of the multiple equilibria, where the firm's profit is lower. Firms may be worse off if they choose to locate simultaneously rather than sequentially.

Conclusions/results

Not every consumer appreciates cultural sponsorship engagement of firms. Pricing, product decisions or investment in promotional activities like cultural sponsorship, for example, are based on an understanding of the differences among consumers in price sensitivity and valuation of product attributes or characteristics. The theory of consumer behaviour¹²¹ argues that consumption is an activity in which goods, singly or in combination, are inputs and in which the output is a collection of characteristics. Utility is assumed to rank collections of characteristics and only to rank collections of goods indirectly through the characteristics that they possess. An automobile – treated as a single good – possesses for instance aerodynamic characteristics but also aesthetic characteristics, and different automobiles will possess these characteristics in different relative proportions. Furthermore an automobile exhibition (for example AUDI car exhibitions in sponsored museums) a combination of two goods, an automobile and a social or cultural setting, may possess aerodynamic, esthetical and perhaps intellectual characteristics different from the combination obtainable from an automobile and a social or cultural gathering consumed separately.

The model allows the interpretation of the cultural sponsorship as a dimension of the product in a game where firms choose first the location, anticipating that firms subsequently choose their prices. The sub game- perfection criterion is used.¹²² In these multistage games the existence of both price equilibrium and location equilibrium is necessary. The relative importance of the different attributes is more relevant than the relative preferences of individual consumers for different levels of any specific attribute. According to the importance that consumers give to cultural sponsorship by a firm the competitive behaviour should vary in the dimensions. This game showed that the price competition that keeps their locations apart (the above mentioned two dimensions) dominates the location competition which brings them near. This could explain the behaviour of certain firms in order to sell mostly identical products. The sequential choice of location is more desirable for duopolistic firms than the simultaneous choice of location.

¹²¹ See Lancaster (1966, p. 132-153)

¹²² It is an economics term used in game theory to describe an equilibrium such that players' strategies constitute a Nash equilibrium in every sub game of the original game. It may be found by backwards induction, an iterative process for solving finite extensive form or sequential games. First, one determines the optimal strategy of the player who makes the last move of the game. Then, the optimal action of the next to last moving player is determined assuming the last player's action as given. The process continues until all players' actions have been determined. Sub game perfect equilibrium eliminates non-credible threats.

*Model of vertical differentiation*¹²³

Framework

In this paper the one-dimensional vertical differentiation model¹²⁴ is extended to two dimensions and an analysis of product and price competition is presented. A two-stage theoretic analysis in which two firms compete first on product positions and then on price is conducted. Closed form equilibrium solutions are obtained for each stage in which competitors are unrestricted in their choices of price or product positions. Cultural sponsorship is a strategic decision in an organization, regarding effects that can be achieved on consumers to influence demand. This strategic interaction is applied by organizations in order to afford an innovative tool to compete in the market.

Main issues of vertical differentiation are:

- a) product features to offer (quality of the product and cultural sponsorship engagement)
- b) prices to charge

Use of Lancaster's notion of product space, which allows two variants of product: horizontal and vertical. In the analyzed paper a vertically differentiated product space is regarded. All consumers agree that more of a characteristic is always better, but they vary in their willingness to pay for this characteristic (vertical differentiation).

There are two locational equilibrium forces:

- a) Demand force: a desire to increase the share of consumers to which the firm is the closest, which draws the firm together, and
- b) Strategic force: a desire to reduce price competition, which causes the firms to differentiate

In the vertical differentiation model the generic types of product positioning competition are: *Asymmetric characteristics* competition is defined as competition between firms when each firm has a relative advantage on one of the two characteristics and *dominated characteristics* competition is defined as competition between firms when one firm has a relative advantage on both characteristics. (See figure 11).

¹²³ The model analyzed to interpret cultural sponsorship is Vandebosch and Weinberg (1995)

¹²⁴ See Shaked and Sutton (1982)

Assumptions

A difference with other models of multidimensional competitive positioning is that these ones represent variations of the horizontal differentiation model, analyzing for example pricing and strategies using the DEFENDER consumer model¹²⁵ in which products are differentiated in a two-dimensional per dollar perceptual map. Although the per dollar perceptual map permits only “more is better” attributes similar to a vertical differentiation model the limited product positioning options make the resulting positioning equilibrium behave in much the same way as the horizontal differentiation model.¹²⁶

Consumers are using a consistent decision rule to evaluate each of the dimensions.¹²⁷

In this two-dimensional vertical differentiation model:

a) There are two firms (1,2). Each firm chose one product to market. Products are comprised of non-negative valuations on two characteristics, x and y. x and y are orthogonal.¹²⁸ The point (x_i, y_i) represents each firm's product

$$x_i \in [x_{\min}, x^{\max}]; y_i \in [y_{\min}, y^{\max}]$$

One dimension (x) is the products quality and the other dimension (y) is the engagement in cultural sponsorship.

b) The distribution of preferences implies that the consumer chooses a better quality or image. By the product: the better the quality or image the more the consumer buys. By the cultural engagement: the higher the engagement in culture the higher the consumer's interest in the product. In the latter case it depends on the cultural preference of consumers.

c) Consumers prefer more of each characteristic to less. Price enters negatively in to the consumer's valuation equation.

d) Consumers are able to observe product characteristics and prices before they make their purchase decision. Consumers' reservation prices [R] for a product in this market may vary but are high enough to ensure that all consumers buy. Each consumer is restricted to purchasing one unit- either from firm 1 or firm 2. Marginal costs are assumed to be constant (and equal to zero) for all product positions. The model use two dimensions to characterize the product space and assume that consumers have homogeneous perceptions of the products.

¹²⁵ For a detailed explanation see Hauser and Shugan (1983)

¹²⁶ See Hauser (1988, p. 79)

¹²⁷ A decision rule is a mapping from the expressed preferences of each of a group of agents to a group decision. This definition is relevant to game theory.

¹²⁸ In the social sciences, variables that affect a particular result are said to be orthogonal if they are independent. That is to say that by varying each separately, one can predict the combined effect of varying them jointly. If synergistic effects are present, the factors are not orthogonal.

Consumer's utility function

A typical consumer's valuation equation can be described by a standard individual level vector model in which utility is expressed in dollar units

$$U = R + \theta_1 x_i + \theta_2 y_i - p_i$$

for $i = 1, 2$

Variables:

R = reservation price

p_i = price of firm i 's product

θ_1, θ_2 = consumer heterogeneity about tastes

Consumers will obviously choose the product from the firm which maximizes their utility. As usual in a vertical differentiation approach higher levels on a perceptual attribute are always better and price enters in a linear fashion.

The parameters θ_1, θ_2 are assumed to be uniformly distributed over the population. Since one characteristic may, on average, be more important than the other, the range of the parameter distribution may be different for each characteristic. Without loss of generality, both of these ranges can be restricted to $[0, 1]$. This can be accomplished by choosing the appropriate scale for each characteristics (x, y) . Regarding the distributions of the attributes it can be intuitively assumed that the probability of preferring the quality dimension over the cultural sponsorship engagement is high. The preference's distributions are dependent one of each other.

The model presented here use two dimensions to characterize the product space and assume that consumers have homogeneous perceptions of the products. Consumers should value cultural sponsorship engagement but there are some variables to take into consideration like the segmentation analysis that could play a main role in the cultural sponsorship decision from the firm's side.

As explained before in the analysis of the vertical differentiation model, there are two generic types of product positioning competition: asymmetric characteristics and dominated characteristics (see Figure 11).

- Asymmetric characteristics competition is competition when between firms when each firm has a relative advantage on one of the two characteristics. For example, if the two characteristics which describe an automobile are “price” and “image” AUDI could have a relative advantage over Toyota on the “image” while Toyota would have a relative advantage over AUDI on the “price” dimension.

- Dominated characteristics competition is competition between firms when one firm has a relative advantage on both characteristics. This situation is typical of competition between “models” of a similar technology. Competition between A3, A4, A6 and A8, -the AUDI models- would be an example of dominated characteristics competition.

For both types of competition, the relative positions of the products can be described by taking a ratio of the absolute differences in the characteristic levels of the two products. The ratio is equal to the tangent of the angle between the horizontal axis and a line from the origin perpendicular to a line joining the two products. This angle of competition illustrates the relative positioning advantage of the firms and becomes important in the determination of the demands for each product. It should be noted that each angle represents the set of alternative product positioning that maintain the same relative separation.

The variables are α , the angle of competition, $(x_1 - x_2) / (y_2 - y_1)$ the tangent of the angle of competition and $(x_1 - x_2)$, $(y_2 - y_1)$ the measures of absolute product differentiation.

In $\theta_1 \times \theta_2$ space this indifference line is defined as:

$$\theta_2 (\theta_1) = (p_2 - p_1) / (y_2 - y_1) + (x_1 - x_2) / (y_2 - y_1) \theta_1$$

The relationship between $x \times y$ space and $\theta_1 \times \theta_2$ space via the angle of competition clearly shows the advantage of a superior product position. Intuitively, the desirability of a firm’s product is dependent on the relative characteristics of the two products. If one product has more of x but both products have virtually the same amount of y , it would be expected that, at equal prices, this product will capture most of the market. Conversely, if each product has approximately equal absolute product differentiation advantages on their respective dominant characteristics, at equal prices, they would each obtain approximately 50% of the market.

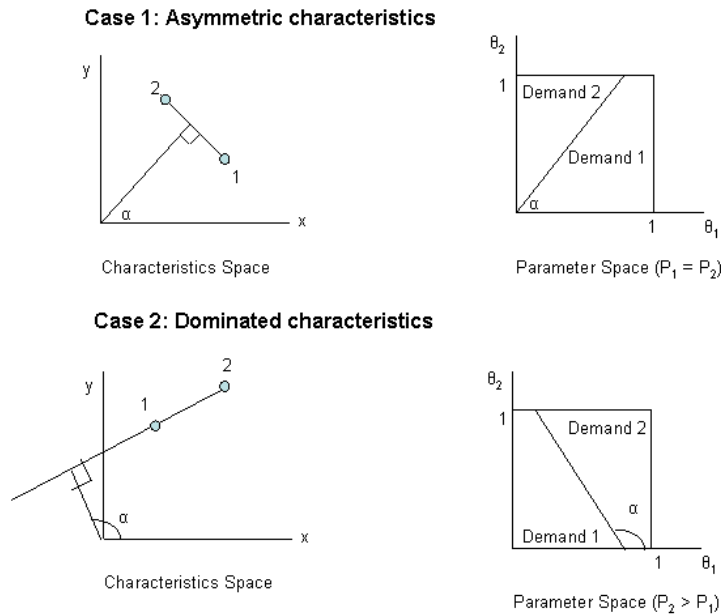


Figure 11: Two cases of the relationship between characteristics space and parameter space in the two-dimensional vertical model.

Source: Vandenbosch and Weinberg(1995, p. 229-230)

As a result of the model of vertical differentiation one firm is always positioned at the maximum value on both dimensions which is considered by consumers to be the highest quality. The previous mentioned forces seem to shape the product equilibrium: a demand force which draws the firms together and a strategic force which causes firms to differentiate. These effects on the product equilibria derived in the two-dimensional vertical model can be analyzed.

As well as in the horizontal differentiation by certain conditions the MaxMin equilibrium could be considered the normal case. In this case, this happens when the range of x characteristic equals the range of the y characteristic. Rationally both firms want to have the highest quality, but because of the strategic force, only one firm will locate there. The firm which is unable to choose the highest quality position differentiates its product by choosing the minimum quality on only one dimension because of the demand force.

Conclusions /results

The vertical differentiation model showed a sequential game in which firms first choose their product characteristics and subsequently choose their price. In this approach the subgame-perfectness criterion is used. Cultural sponsorship is discussed as a product attribute for this model. The most relevant aspects in the consideration of cultural sponsorship engagement as a product feature are the analysis of the willingness to pay from consumers, the distribution of preferences for both dimensions and the dependence between these dimensions.

The essence of the product variety approach¹²⁹ (used by both chosen models of product differentiation in this dissertation) can be summarized as follows:

- The good per se does not give utility to the consumer; it possesses characteristics, and these characteristics give raise to utility
- In general, a good will possess more than one characteristic, and many characteristics will be shared by more than one good
- Goods in combination may possess characteristics different from those pertaining to the goods separately

This characteristics' approach can be applied in location models (as seen in the previous discussed *horizontal* product differentiation), that is, with products which could be considered to be broadly of equivalent quality, even though different consumers prefer different variants because of their specific characteristics proportions. And if one product has more of all characteristics than another, or is universally ranked as better (like a BMW relative to a cheap subcompact), then there is *vertical* product differentiation with products ranked in a universally accepted order of preference by product quality. Since all consumers have the same preference ranking for the products in vertical differentiation, something other is required to provide markets for different qualities. The most usual is to assume variations in income.¹³⁰

Some critics of the model are that the marginal cost assumption may be limiting, as well as the assumption of a uniform distribution of taste parameter. The equilibrium solution concept implies non-cooperative behavior on the part of the firms. Finally, in the indifference line approach used in the model when some additional dimensions are included¹³¹, implies an added complexity that would probably require some numerical procedures.

¹²⁹ For a detailed explanation see Lancaster 1990

¹³⁰ See Lancaster (1990, p. 196 -201)

¹³¹ The researcher already analyzed the case that includes a new variable: cultural sponsorship as a third stage in the game but no equilibria was reached

*Model of persuasive advertising*¹³²

Framework

There is considerable debate regarding the effect of advertising on competition. At the one pole, advertising may provide consumers with useful information about price and product characteristics. Alternatively, advertising may increase consumer brand loyalty by persuading consumers to favor one brand over another. The authors suggest a simple framework for characterizing alternative ways that “persuasive advertising” may affect consumer preferences. They illustrate the implications of their theory- and contrast it with results from models of informative advertising- by analyzing the relationship between the degree of product differentiation and equilibrium levels of advertising.

The article examines the impact of persuasive advertising on price competition in duopoly markets with horizontal differentiation. Cultural sponsorship is oriented to achieve determined target groups or range of audiences (product differentiation). Cultural sponsorship can be described as a means of persuasion.¹³³

The persuasive view is associated with the creation of brand loyalty, so does cultural sponsorship. Cultural sponsorship is a tool that not necessarily acts at a product level rather at an organizational level. In cultural sponsorship normally the whole organization appears as official sponsor rather than a sole product as in the horizontal differentiation approach.

The model considers heterogeneous consumers and assumes that advertising is persuasive to show that more advertising occurs with similar products than with less dissimilar products. This is due to producers’ efforts to bring about higher “perceived” product differences among consumers. Cultural sponsorship acts the same way as seen in the automobile industry. (Example AUDI). Another good example of this kind of differentiation is the market for premium cola, as this market is dominated by two products: Coca-Cola Company’s Coke brand and Pepsico’s Pepsi brand.¹³⁴ There is little real difference between products but each firm can use cultural sponsorship on this behalf (for example sponsoring a rock or pop concert) to create an image that appeals to different consumers.

¹³² The model analyzed to interpret cultural sponsorship is von der Fehr and Stevik (1998)

¹³³ For a detailed explanation see Bruhn (1998)

¹³⁴ See Tremblay and Polasky (2002, p. 253)

Assumptions

In this model the equilibrium level of advertising is positively related to the degree of product differentiation the gain from informing and attracting an additional customer equals the markup of price over marginal cost, which is higher the more differentiated are the two products. The impact in duopoly markets with horizontal differentiation is discussed.

The authors look at brand loyalty with product differentiation. Brand loyalty is considered in the empirical works about cultural sponsorship as one of the main goals of this promotional tool.

At an intuitive level, it appears that persuasive advertising may affect preferences in (at least) three genuinely different ways. Considering cultural sponsorship analogically to persuasive advertising form the three effects can be discussed: (See figure 12)

- First, cultural sponsorship may simply enhance the value of a product in the eye of the consumer. That increases willingness to pay.
- Second, firms' cultural sponsorship efforts may be considered as a tug-of-war in which each firm attempts to attract consumers by molding their preferences to fit the characteristics of its product; that means, each firm tries to convince consumers that what they really want is a particular variety. That changes ideal product variety.
- Third, cultural sponsorship may lead consumers to attach more importance to those differences that already exist between products. That increases perceived product differences.

The starting point is the parametrization of preferences given by the Hotelling's model of product differentiation. This setup is simple yet does make it possible to undertake a systematic investigation about how cultural sponsorship could affect preferences.

This last model is a framework to interpret cultural sponsorship in mature markets. Just to exemplify, the two cases analyzed in this dissertation AUDI AG and SIEMENS AG act in mature markets.

Consumer's utility function

The authors take as their starting point a variant of the Hotelling's line model in which consumers are uniformly distributed along a line segment of unit length.¹³⁵ In particular $x \in [0,1]$. Then x is the number of consumers in the interval $[0,x]$. Each consumer wants only one unit of the good.

There are two symmetric firms in the market, supplying differentiated products. Firm 0's product is located at 0, whereas firm 1's product is located at 1. Consumer x 's willingness to pay for products 0 and 1 are, respectively,

$$U_x^0 = s - t(x,\theta)$$

$$U_x^1 = s - t(1-x,\theta)$$

Variables:

s = willingness to pay for variety

t = transportation cost /unit of length

a = cultural sponsorship level

$\theta \geq 0$ is an index of the degree of (inherent) product differentiation.

Where $t(0, \theta) \equiv 0$, $t_1(x, \theta) > 0$, $t_2(x, \theta) > 0$, $t_{12}(x, \theta) > 0$

Location x of the consumer is interpreted as his "ideal product variety".

Ceteris paribus the further away a consumer is located from the product he consumes the lower is the willingness to pay. The loss in surplus is increasing in the degree of (inherent) product differentiation; θ .

Assuming an interior solution¹³⁶ in which the whole market is covered the set of consumers can be divided in: those who buy from firm 0 and those who buy from firm 1. The marginal consumer, x^* , who is indifferent between buying from firm 0 and firm 1, is found by solving the equation

$$s - t(x^*, \theta) - p_0 = s - t(1-x^*, \theta) - p_1$$

¹³⁵ As in Tirole (1988, chapter 7)

¹³⁶ In economics an interior solution is a choice made by an agent that can be characterized as an optimum located at a tangency of two curves on a graph.

A classic example of an interior solution is the tangency between a consumer's budget line (characterizing the maximum amounts of good X and good Y that the consumer can afford) and the highest possible indifference curve. The slope of that tangency is where:

(marginal utility of X)/(price of X) = (marginal utility of Y)/(price of Y)

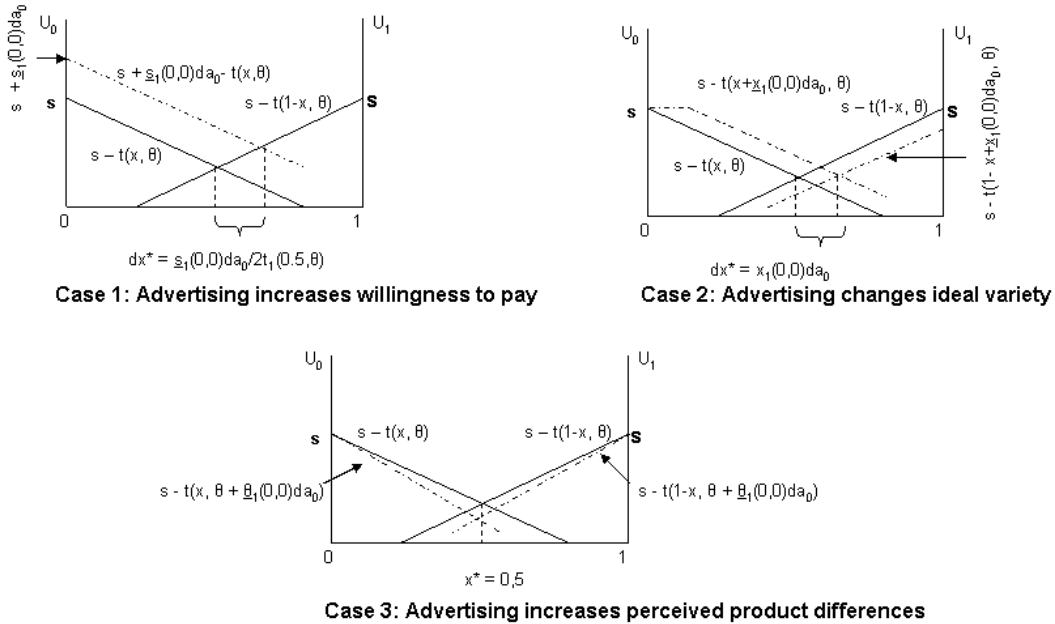


Figure 12: Three ways in which advertising may affect preferences

Source: Von der Fehr and Stevik(1998, p. 117-118)

In case 1 analogically to persuasive advertising, if cultural sponsorship increases willingness to pay, when an equilibrium exists, it can be seen that the profitability of increasing cultural sponsorship efforts is, by the shift in demand, higher the higher is the product price. The effectiveness of cultural sponsorship is decreasing in the degree of product differentiation.

Equilibrium prices are increasing in the degree of differentiation so that the effect of greater differentiation is balanced by the corresponding higher level of equilibrium prices. Consequently at equilibrium the marginal gain from an increase in cultural sponsorship is independent of the degree of product differentiation and so are equilibrium sponsorship levels; that is, $da/d\theta = 0$.

In case 2 analogically to persuasive advertising if cultural sponsorship changes ideal product variety, when an equilibrium exists, one can observe the effect on demand from an increase in a firm's cultural sponsorship efforts is independent of how differentiated are products. However, since prices are higher when products are more differentiated, the profitability of a given shift in demand is increasing in the degree of product differentiation. The marginal impact of cultural sponsorship will be decreasing in the levels of product differentiation; that is $da/d\theta > 0$.

Finally, in case 3 analogically to persuasive advertising if cultural sponsorship increases perceived product differences unlike in the two previous cases, it tends to reduce consumer's willingness to pay. If sponsorship is sufficiently inexpensive (it is usually this way) it is therefore conceivable that firms would want to sponsor so as to move into a separating market situation.¹³⁷ Hence, assuming that the market is covered when there is no cultural sponsorship, the only equilibrium candidates are cases in which firms compete effectively for the marginal consumer; that is $da/d\theta = 0$

In some cases it may be more reasonable to think of advertising strategies as longer term than pricing strategies. On a time comparison the same conclusion can be applied intuitively for cultural sponsorship. In the case of informative advertising it may seem reasonable to assume that advertising and pricing decisions are taken simultaneously. Cultural sponsorship is described in the literature also as a means of persuasion. The persuasive view of advertising is associated with the creation of brand loyalty, so does cultural sponsorship as well.

When firms make sponsorship and pricing decisions simultaneously the necessary conditions for an interior symmetric Nash equilibrium are that the gain in revenue from increasing advertising efforts marginally equals advertising costs, and that the gain in revenue from increasing price equals the increase in output costs. In the three cases prices are unaffected by cultural sponsorship. When firms make cultural sponsorship and pricing decisions sequentially by the interior symmetric subgame-perfect equilibria it is implicitly assumed that firms, when choosing sponsorship strategies, take into account the effects of cultural sponsorship decisions on second stage price competition. Here cultural sponsorship not only affects demand but may also have an impact on pricing strategies.

¹³⁷ That is that they become local monopolists.

Conclusions/results

The exploration of this Hotelling-type differentiated-products duopoly games under alternative assumptions about how persuasive advertising could affect consumer tastes allowed an approximation to the cultural sponsorship problem.

In this game the sub game- perfection criterion was used. The assumptions of the model ensure the existence and uniqueness of one price equilibrium. The major emphasis of this research is to assess the nature of competitive behaviour.

Persuasive advertising, and therefore cultural sponsorship too, however, by their nature, may perhaps more often be thought of as having long- lasting effects given that, if successful, it affects consumer preferences. In that case it is reasonable to model cultural sponsorship decisions long term and pricing decisions as short term.

When firms make advertising and pricing decisions simultaneously the necessary conditions for an interior symmetric equilibrium are: 1) that the gain in revenue from increasing advertising efforts marginally equals advertising costs, and 2) that the gain in revenue from increasing price equals the increase in output costs. In the three cases prices are unaffected by cultural sponsorship.

When firms make cultural sponsorship and pricing decisions sequentially by the interior symmetric subgame-perfect equilibria it is implicitly assumed that firms, when choosing sponsorship strategies, take into account the effects of cultural sponsorship decisions on second stage price competition. Here cultural sponsorship not only affects demand but may also have an impact on pricing strategies.

There are circumstances in which certain forms of persuasive advertising are particularly effective when products are not much differentiated. In practice most actual marketing efforts will contain a mix of the three pure types commented here. In industries in which products are fairly similar, firms will aim their marketing efforts (for example by means of cultural sponsorship) at heightening “perceived” product differences

Some critics to the model are that the marginal cost assumptions may be limiting, the assumption of a uniform distribution of taste parameters may be limiting and the current model restricts the range of consumer tastes (θ s) to between 0 and 1.¹³⁸

¹³⁸ The shape of the parameter space may change from a square to a rectangle if the range of one taste could be greater than the other one.

General conclusions

Cultural sponsorship is a promotional technique used by firms in order to differentiate products. Cultural sponsorship may act as a positioning strategy for existing brands. By engaging in this promotional technique, established firms in a differentiated product market often attempt to position their products without changing the physical product itself. For example, SIEMENS might use an arts celebrity on its habitual events, which only appeals to culture “fans”. On the other hand, the same firm can use television commercials to emphasize the high quality technology used in its production process. In these examples, SIEMENS is positioning its product (through horizontal and vertical differentiation, respectively) without physically modifying it. Consumers use brands for image reasons and cultural sponsorship establish a brand’s image as stated in the previous section of this dissertation. A firm uses these strategies as a means to establish its position in the industry by distinguishing its product from its rival’s. Collectively, these choices determine the market structure via the extent of product differentiation. If consumers are assumed to have some familiarity with the brands then differentiation involves promotion via cultural sponsorship, advertising, or other techniques.

The two first models allow interpreting cultural sponsorship in order to differentiate products. First a firm can horizontally differentiate its product among its most loyal customers. For example, a firm can associate its product with a popular artist, cultural activity or regional attribute (or all of them like AUDI AG and SIEMENS AG) in an attempt to appeal to a particular niche of the consumer population and to induce brand loyalty. Second, a firm can vertically differentiate its product by raising the consumption utility uniformly across all consumers, for example cultural sponsorship on this behalf may be interpreted as a form of “service improvement”.

The third model allows interpreting cultural sponsorship as a form of persuasive advertising. The impact in duopoly markets with horizontal differentiation was discussed. The researcher considers this last model as a framework to interpret cultural sponsorship in mature markets. Just to exemplify, the two cases analyzed in this dissertation AUDI AG and SIEMENS AG act in mature markets. Cultural sponsorship is described in the literature also as a means of persuasion. The persuasive view of advertising is associated with the creation of brand loyalty, so does cultural sponsorship as well.

4.3 Cultural sponsorship strategic management

The strategic context of sponsorship - and specifically cultural sponsorship - is an area of the literature that remains largely unexplored and it will be necessary studies that involve the establishment of links between corporate, marketing or communications strategies and sponsorships.

There have been considerable increases in sponsorship activity during the last decade on a world scale. This situation had forced firms to address how to manage sponsorships more effectively. Such have been the improvements in managerial practice, that it is now held that sponsorship is a vehicle through which sponsoring corporations can achieve multitude of objectives.

The range of these objectives includes:

- a) Marketing communications objectives: as stated in previous sections, the use of sponsorship as a promotional strategy, possibly linked to advertising/public relations etc. with a view to increasing sales, raising brand awareness, promoting of image transfer
- b) Relationship marketing objectives: the use of sponsorship as a strategy through which to build relationships with key customers including end-users, partners and the properties, which a sponsor is associated. ¹³⁹

According to the line of analysis in this dissertation the marketing communications objectives will be considered.

Although the importance of sponsorship appears to be growing¹⁴⁰ there are concerns that sponsorship is failing because enterprises do not recognize the importance of effective management. On the one hand there are highlights from a failure between academic's and practitioners to understand how sponsorships should be managed¹⁴¹,

¹³⁹ See Chadwick and Thwaites (2004, p. 40). Other objectives -mainly related to sports sponsorship- also referred by the authors: Network objectives: the use of sponsorship as a strategy through which to establish relationships with other related organizations such as media organizations. Resources objectives: the allocation and use of key strategic resources, in order to build effective sports sponsorship relations.

¹⁴⁰ See IEG Report 2004

¹⁴¹ See Cornwell and Maignan (1998, p. 12-13)

and on the other hand expressed concerns that sponsorship management practices remain undeveloped.¹⁴² Experts are therefore divided as to whether any progress has been made in respect to sponsorship management.

Different models will be discussed in this section in order to interpret the sponsorship strategic management. These provide a framework for the individual elements of sponsorship, and include recent developments in the sponsorship management literature undertaken in a literature review. Based on the analysis and discussion of the existing models an own reference framework will be designed regarding the analysis of the German cultural sponsorship cases.

In the German literature the process of managing cultural sponsorship is based on the next cornerstones:¹⁴³

- 1) The situation analysis, in order to identify cultural activities developed by the competitors,
- 2) The determination of the cultural sponsorship objectives, based on the previous situation analysis and also on the higher-order communicational objectives of the firm, in order to develop a base for the success control,
- 3) The identification of target groups oriented regarding the strategic plan and strategic concept,
- 4) The determination of the cultural sponsorship strategy regarding contents and application chronograms,
- 5) The calculation of the cultural sponsorship budget based on the previously defined objectives,
- 6) The configuration of measure procedures going from general decision criteria to specific criteria,
- 7) The integration of sponsorship in the communication mix in order to achieve the necessary synergy regarding the firm's communication objectives, and
- 8) The control of cultural sponsorship success in order to close the planning process.

This is an ideal planning process model; in the firms however fortuity, arbitrariness or spontaneity acts sometimes as very relevant variables. Certain steps could be also included in broader categories.

¹⁴² See Hoek (1999, p.1)

The international sponsorship literature¹⁴⁴ pointed several categories related to managerial aspects of sponsorship (as mentioned in section 1.2). Five dimensions regarding sponsorship management have emerged from past research: (1) objectives and motivation, (2) constituency and audience, (3) organizational structure, (4) personal requirements and (5) budgeting.

(1) Objectives and motivation: Researchers in this category have intended to determine the reasons why an increasing number of firms invest in sponsorship. Several rankings show from most to least important different reasons that varied by type of sponsorship (cultural, sports, and community). Variety of sponsor objectives is large and depends on many specific factors. Social and environmental sponsors, for instance, seek primarily to demonstrate social responsibility. For cultural sponsors, on the other hand, guest hospitality is a major motivation.

In general, research on the objectives of and motivations for investing in sponsorships has been entirely descriptive. The studies have been successful in identifying current corporate objectives and motivations, but have failed to evaluate the adequacy of different objectives in terms of desired benefits and according to the type of sponsorship undertaken.

(2) Constituency and audience: Researchers in this category have a long and company-dependent list of selection criteria applied to choose a sponsorship activity. Several German studies mentioned the following priorities:¹⁴⁵ perceived affinity between sponsor product and sponsored activity, affinity between targets of sponsor and sponsored, the popularity and image of the potential sponsored party and its willingness to cooperate (on a long-term basis), geographical reach, contact frequency, contact quality, expected sponsorship costs/benefits, the type of rights received, possibility to integrate the sponsorship into the communication/marketing strategy.

The main contribution of such studies is to highlight the ability of sponsorship to target a broad range of audiences. However, research has not identified which type of sponsorship is most capable of reaching diversified publics. The particular type of sponsorship selected may not be as important strategically as how the sponsorship is leveraged.

¹⁴³ See Bruhn (1998, p. 212 -214)

¹⁴⁴ See Cornwell and Maignan (1998, p. 12 -13) and Walliser (2003, p. 10-12)

¹⁴⁵ For a detailed explanation see Hermanns (1998, 2000, 2002, and 2004)

(3) Organizational structure: Researchers in this category have examined organizational issues associated with the sponsorship directly under the responsibility of the CEO. Sponsorship's affiliation in a firm depends on the nature of the activity sponsored: when the sponsorship involves the arts, public relations personnel are involved, but when sports are sponsored, marketing is of greater importance. The variety of affiliations found shows that sponsorship is still a new activity for many corporations. Another focus of research on sponsorship organisation is the locus of sponsorship decision-making within the sponsor company. It appears that the level of decision-making depends on the familiarity and experience with sponsorship. It is argued that an increased involvement by advertising departments and product managers indicates a stronger integration of sponsorship in the communication mix by way of more cross-functional communication.¹⁴⁶

(4) Personnel requirements: The personnel requirements of sponsorship activities have not been systematically researched. However, personnel aspects are of great importance, particularly in the domain of corporate guest entertainment. Indeed, company representatives tend to structure their client contacts, at least to some degree, around particular events. A strong distinction between consumer and industrial firms with regards in their corporate hospitality can be identified.¹⁴⁷ For industrial companies the contact made possible through sponsorship was a key element in relationship building, whereas for consumer goods company's sponsorship was a technique without employee involvement.

(5) Budgeting: The processes adopted to establish sponsorship budgets remain unclear. The limited research to date indicates that budgeting decisions are influenced by the type of sponsorship involvement. Sponsors of sports tended to use a percentage of sales allocation method, whereas sponsors of community and cultural activities tended to use either task-and-objective budget setting or an ad hoc approach, reflecting their historic philanthropic ideas about sponsorship.¹⁴⁸

Additional sponsorship control issues have interested researchers.¹⁴⁹ Two broad categories of study may be distinguished. One is primarily descriptive in its approach, tracking to what extent, and how, companies are controlling their sponsorship efforts.¹⁵⁰

¹⁴⁶ See Farrelly et al. (1997, p.178)

¹⁴⁷ See Crowley (1991, p. 17)

¹⁴⁸ For a detailed explanation see Hoek, Gendall, and West (1990)

¹⁴⁹ See Walliser (2003, p. 12-13)

¹⁵⁰ See Thwaites et al. (1998, p. 208-209)

The second is more analytical, suggesting methods and instruments for sponsorship evaluation. Studies in the latter category generally begin with an account of features which render sponsorship evaluation particularly difficult: interdependencies and interaction effects due to the simultaneous use of several communication instruments, spill-over effects/influence of external variables, carry-over effects, decay effects, variety of (heterogeneous) sponsorship activities, non-predictable character of the sponsorship activity.¹⁵¹

Conclusions

The managerial process of sponsorship includes setting objectives, selecting, organising and executing the sponsorship, and, finally, controlling its outcome. While some studies focus on one specific stage of this process, others review several, if not all, stages at a time, either comparing different countries. Overall, research on the management of sponsorship activities reveals that audience considerations, objectives, budgets, organizational structure, and even personnel requirements all vary according to the type of company engaging in sponsorship (e.g., industrial or consumer firms) and the type of sponsorship undertaken (e.g., sports or arts). However, research has been very descriptive and partially developed. For instance, some studies examined motivations for sponsorship and others focused on sponsorship audience characteristics.

Holistic evaluations of sponsorship management are needed. Such studies would tie the management of any given corporate sponsorship to its objectives and to the characteristics of the event sponsored.

When it comes to the design of, and the tools for, control, the first step seems to be to look separately at sponsorship impact and sponsorship process. Process control involves auditing the basic assumptions, objectives, strategies, actions and organisation sponsorship.

Regarding the second purpose of the dissertation to gain a deeper understanding of how a German company uses cultural sponsorship efficiently as a communications tool and to determine success factors in order to be transferred the own framework considers the following three broad categories:

¹⁵¹ See Glogger (1999, p.19)

- 1) Objective setting for sponsorships: how does a company define its objective in cultural sponsorship?
- 2) Selection of the sponsorship object: how does a company select cultural sponsorship objects?
- 3) Evaluation of the sponsorship activities: how does a company evaluate the result of its cultural sponsorship activities?

This holistic evaluation of sponsorship management will be applied to specific case studies. In order to develop the specific theoretical frame of reference the table below shows research in the three chosen categories that will be discussed.

Theme	Main focus	Main contributors
Objective setting for sponsorship	Discussion of the objectives that can be achieved through the use of sponsorship. Integrating the communication mix through objective setting. Incorporate debate about the precise nature of sponsorship definitions.	Thompson (2005) Dolphin (2003) Hal Dean (2002) Quester and Thompson (2001) Meenaghan (1998) Javalgi (1994) Meenaghan (1983)
Selection of sponsorship object	Analysis of the criteria used by sponsorship decision makers to determine whether sponsorship projects are accepted or rejected. Relates to analysis of decision-making process within sponsoring firms.	Chadwick and Thwaites (2004) Meenaghan (1991) Crowley (1991) Meenaghan (1983)
Evaluation of sponsorship activities	Evaluation objectives and evaluation methods used to measure the effectiveness of sponsorship programs. Consideration of different techniques used to assess outcomes such as image transfer and attitude change.	International Sponsorship Association (2005) Cornwell et Maignan (1998) Meenaghan (1983)

Table 15 Recent key themes in the sponsorship management literature.
Source: Author's own construction

Objective setting for sponsorship

The management model of commercial sponsorship analyzed argues that sponsorship is viewed as an integral part of marketing communications, an approach that requires that objectives should be set in the context of an integrated approach to marketing communications, and not treated as something essentially different. Sponsorship objectives, thus, should be set in terms of sales or communications levels to be achieved.¹⁵²

Sponsorship strategies are used to reach a variety of marketing objectives. This discipline has developed more – and has become recognized as a strategic tool – as international business organizations appreciate an increasing need to be understood by audiences. It is an opportunity “to reach consumers through their hearts and minds”.¹⁵³

According to these criteria sponsorship offers the possibility – as any form of marketing communication – of achieving multiple objectives in a single opportunity. Broad multiple objectives to fulfill may be:

- Keeping the firm’s name before the public,
- Building goodwill among decision makers and opinion formers, or
- Showing a socially concerned company to the public, at any one time.

Cultural sponsors are believed to pursue image rather than market objectives and to manage the process differently, with a more specific public relation perspective, due to cultural sponsors' focus on relationships and a strong desire to enhance corporate stature in the community. As a result, cultural sponsors have been found to rate community relations and hospitality as their most important objectives.¹⁵⁴

Nevertheless cultural sponsorship research and management techniques have been largely borrowed from those of sports sponsorship.

Sponsorship should work well in some instances but not in others. For example, differences in country conditions, company size, industry, culture, market power, and other variables should be examined.

¹⁵² See Meenaghan (1983, p. 11-21)

¹⁵³ See Dolphin (2003, p. 177)

A first framework to discuss shows objectives, what companies hope to achieve from sponsorship classified under the following headings:¹⁵⁵

- 1) Broad corporate objectives
- 2) Product-related objectives
- 3) Sales objectives
- 4) Media coverage
- 5) Guest hospitality and
- 6) Personal objectives.

- Broad corporate objectives regard sponsorship as a medium for community involvement, to increase public awareness of a company's structures and services, to achieve a particular image which can reinforce or change public perception of the company, to provide opportunities for goodwill creation among influential individuals or groups in the business world, as a means of reassuring their shareholders and policy holders, as a means of counter adverse publicity, as an aid to staff relations, to identify a particular market segment, among others.
- Product related objectives are objectives similar to those for corporate image, to increase product/brand awareness, to reinforce or alter market perception of the product/brand, to identify the product/brand with a particular market segment. Many sponsors seek to link a family or individual brand name with a particular sponsorship to achieve product or brand related objectives. Sports or event sponsorship are mostly used to achieve these objectives.
- Sales objectives are difficult to define in the case of sponsorship. Few companies view sponsorship in terms of immediate or short-term results. Nevertheless firms interested in corporate image-type objectives are seeking improved market perception regarding to longer-term sales. Sponsorship can be an important stimulus when purchasing is seen as a multi-stage, multi-influence activity but it may also be employed to influence sales in a more direct manner.
- Media coverage is one of the most important objectives for companies engaging in sponsorship. It should be a cost-effective medium for the promotion of their company or brand. The achievement of media coverage is however merely an intermediate objective rather than a final objective like the achievement of a given level of sales or market awareness.

¹⁵⁴ See Quester and Thompson (2001, p. 35)

¹⁵⁵ See Meenaghan (1998, p.16)

- Guest hospitality in an appropriately informal environment is an opportunity provided to companies by the sponsorship of cultural or sporting activities. The company may want to influence guests like opinion formers and decision makers in both, business and government circles, business people drawn from its task environment, and in other cases the media and the firm's own staff and customers.
- Personal objectives are often a key motivation for the selection of sponsorship as a promotion medium and for the specific choice of a favored activity as appropriated. Thus strong personal interests in a cultural or sporting activity on the part of a manager or director are often relevant issues. This "hobby motive" is perhaps more significant than is often conceived.

A rigid classification may disguise the fact that sponsorship objectives frequently overlap and that a plurality of related objectives is a common feature of sponsorship. Guest hospitality, for example, affects corporate image, which in sum affects product image, and so on with none of the mentioned effects being measurable quantities in the real world. Generally speaking objectives in sponsorship will be found to be in a range from the suggestion of social responsibility as the primary motivation to the statement in hard-nosed commercial terms. It has to be reminded the complex and varied motivations involved in human decision making, not least in the business organizations.

Measuring sponsorship effectiveness in reaching these objectives has been difficult because sponsorship effects are often confounded with those of past and current advertising from the sponsoring company.

A second framework to be discussed refers to the sponsorship objectives as support of organizational objectives¹⁵⁶

- 1) Enhancing corporate image¹⁵⁷
- 2) Increasing awareness of brands
- 3) Stimulating the sales of products or services
- 4) Leveraging corporate reputation

A company's objectives are often defined in broad terms such as "better corporate image," but there lack specific definitions of "image". Some managers are even reluctant

¹⁵⁶ See Javalgi et al.(1994, p. 48-50)

to undertake evaluations based on the objectives setting probably because they assume that the relatively small sums spent on sponsorship activities (particularly on cultural sponsorship) can go a long way toward enhancing the image of the firm. So management expectations are extremely high.

The findings of an exploratory research¹⁵⁸ regarding this framework suggest that corporate sponsorship can enhance corporate image, but that such an outcome is not automatic. On the one hand it may occur if the company has a good image before the sponsorship. The findings also suggest, on the other hand, that corporate sponsorships may exacerbate a negative image if consumers had prior negative perceptions. Another suggestion is that the different dimensions of corporate image are affected differently by awareness of corporate sponsorship. Persons who were aware of the activity rated different companies whose names were linked with a sponsored activity differently. Thus, awareness of a sponsorship activity is not sufficient (and perhaps not necessary) for a strong, positive corporate image.

Consumer's perceptions of a company are based on information from a variety of sources. Therefore, it may be unrealistic to expect sponsorship, by itself, to overcome whatever impressions consumers have formed from all the other sources. The implication is not that should not engage in sponsorship, only that manager's expectations should be moderated by recognition of consumer's previously formed views.

A third framework considers that management objectives for sponsorship may be both:

- 1) Economic: Increased revenues and profits, increased brand awareness, increased channel member interest in the brand and
- 2) Non-economic: Creation of goodwill with the community, improvement of corporate image, boosting employee morale, recruiting new employees, and pure altruism.¹⁵⁹

However, the most important objectives appear to be enhancement of the corporate/brand image and the generation of goodwill.¹⁶⁰

¹⁵⁷ Corporate image is defined as the impressions of a particular company held by some segment of the public.

¹⁵⁸ See Javalgi et al. (1994, p. 50-57)

¹⁵⁹ See Hal Dean (2002, p. 78)

¹⁶⁰ See Javalgi et al. (1994, p.50) and Cornwell and Maignan (1998, p. 12-13)

Measuring sponsorship effectiveness in reaching these objectives has been difficult because sponsorship effects are often confounded with those of past and current advertising from the sponsoring company.

Several researches argues that the true effects of sponsorship can only be discerned through experimental designs, which ensure control over extraneous variables, and by pre and post measures to successfully measure attitudinal changes due to sponsorship. However, relatively few academic studies of sponsorship incorporate pre and post measures.¹⁶¹

Why do sponsor embark upon a sponsorship agreement and what do they gain in return for their outlay? An exploratory research applied in the main Arts festival in Australia¹⁶² cited the following reasons:

- Enhancing their corporate image to society
- Increasing awareness in specific target markets of their product/service
- Presenting an image of a strong national/international corporate presence
- Creating a public perception of 'giving something back' to society via the arts
- Ensuring a perception of a corporate image to match that of a strong competitor
- Enhancing 'trust' among the public/consumers
- Promoting practical aspects of a product offering
- Positioning or repositioning in relation to competing corporations or products
- Political motives
- Seeking advertising that differs from conventional advertising.

Conclusion

So far this section presented literature related to the research issue: objectives setting of sponsorship.

Several empirical works do show that sponsorship as compared to a variety of other marketing communications options was highly regarded for its ability to fulfill the broad marketing communication objective of:

- 1) Developing a more favorable attitude towards the company (brand)
- 2) Encouraging greater goodwill towards the company by intermediaries
- 3) Changing or enhancing corporate image

¹⁶¹ See Hal Dean (2002, p. 78)

¹⁶² See Thompson (2005, p.7)

The most alleged reasons for companies to participate in sponsorship are: developing or maintaining the corporate image, giving a return to the community, gaining publicity for the company/products, preserving the company name in the public eye, and considering social responsibility reasons

Sponsorship does not appear as a good communication tool when launching a new brand, or bringing about short-term sales increases. In general, sponsorship is perceived as being most appropriate where objectives are strategic and longer term rather than where objectives are tactical and short-term. In conversations with international sponsorship experts a less than rigorous approach to objective setting is also apparent.

Taking in consideration both, the theoretical frameworks discussed and the appropriateness regarding culture as the sponsorship object, the own framework constructed for the case studies is as following:

Objective setting for cultural sponsorship	Theoretical framework
Increasing awareness/recognition of corporation or brand	Javalgi et al. (1994), Dolphin (2003)
Enhancing corporate or brand image	Javalgi et al. (1994), Dolphin (2003), Thompson (2005)
Creating goodwill	Hal Dean (2002), Dolphin (2003), Thompson (2005)
Management interests	Meenaghan (1983)
Fostering favorable corporate and brand associations (match to consumer lifestyle)	Quester and Thompson (2001), Thompson (2005)
Improving relationships	Dolphin (2003)
Gaining exposure/publicity	Meenaghan (1998)
Employee motivation	Meenaghan (1998), Dolphin (2003)
Staff recruitment	Hal Dean (2002)
Improving profitability	Meenaghan (1983), Hal Dean (2002)
Creating entertainment opportunities	Meenaghan (1998)

Table 16: Objective setting for cultural sponsorship
Source: Author's own construction

Selection of the sponsorship object

The value of an objective-setting approach in sponsorship management has been discussed in the previous item.

A company in pursuit of its objectives must select its strategic options and allocate its expenditures within a coherent framework. The particular sponsorship needs the establishment of relevant criteria and the examination of potential sponsorships against these criteria. A policy for sponsorship will imply guidelines as to the choice of a particular sponsorship, which will reduce the options being considered. Sponsors do employ at least broad policy guidelines to facilitate the process of sponsorship selection.¹⁶³

On a first framework criteria for a classification of the sponsorship object might be:

- The ability to fulfill objectives: the essential is that such objectives be ranked in hierarchical manner, not ignoring their complex interplay.
- Image association potential of the particular sponsorship: "Possibly the most important element in setting up a sponsorship arrangement is achieving the proper match between sponsor and recipient. Sponsorship is a way of associating your company with an event or organization of artistic excellence in such a way as to convey your message to the chosen audience; the artistic activity must be chosen with this in mind."¹⁶⁴
- Sponsorship choice and company/product compatibility: the difference with the previous item is the degree of compatibility between the chosen sponsorship and the sponsoring company or brand.
- Media coverage potential: in the case of companies for which media coverage is the essential of their involvement they should seek sponsorship objects whose established media audience profile matches that of the target market.
- The funding requirement (budget): where a company has limits defined for its sponsorship expenditures it may be a need -before the involvement- the adequate funding of which would exceed the available budget, as well as the accurate quantification of any tax benefits.
- Target audience coverage: in this case it will greatly facilitate the sponsorship choice and increase the effectiveness of the sponsorship investment.

¹⁶³ See Meenaghan (1983, p.23)

¹⁶⁴ Quoted after "Arts and Business" webpage: <http://www.aandb.org.uk/>

- The opportunity for guest hospitality: those opportunities to make face-to-face contact with select contacts in a prestigious social context strengthening relationships with decision-makers
- Executive preference: the fact that a chosen sponsorship reflects the preferences of executives does not necessarily reflect a weakness in the selection procedure; it can be sometimes an opportunity for commercial gain
- Geographical coverage of the defined audience: the accurate definition of a target market is an essential element in the selection of the sponsorship object by considering these sponsorships whose potential geographical coverage is advantageous in terms of the defined audience
- Staff knowledge of the proposed sponsorship: the fact that key personnel have an in-depth knowledge of the sponsored activity will improve the exploitation of the sponsorship
- Sponsorship type: An established or new sponsorship, once-off or longer-term commitment; the seasonality of the sponsorship
- “Solus” position: an important criterion is to decide whether the sponsorship will be exclusive or whether the company will be involved in co-sponsorship
- The possibility of adverse publicity: several sponsorship activities can affect negatively the sponsor and it is necessary to examine all the dimensions of the contemplated sponsorship
- The organization of the sponsored activity: here are many specific questions the sponsor has to ask regarding the ability of the sponsee to manage a proper event or activity.¹⁶⁵

A second framework to discuss considered the relevance of prioritizing the sponsorship audiences.¹⁶⁶ Sponsorship’s ability to reach a wide range of audiences offers a relevant opportunity to identify the relationships between audience priority and sponsorship object selection and exploitation.

The corporate audiences for sponsorship are product markets, suppliers, workforce, general public, local community, business community/key decision makers, and shareholders.¹⁶⁷ Some issues relevant to the different audiences are commented:

¹⁶⁵ See Meenaghan (1983, p. 28-42)

¹⁶⁶ See Crowley (1991, p. 11-14)

¹⁶⁷ For a detailed explanation see Meenaghan (1991)

- Product markets: This category is subdivided into existing and potential customers who are the receivers of most communications activity. The distinction between existing and potential customers allow to determine whether sponsors regard sponsorship as a retentive medium, more effective to maintaining existing goodwill and reinforcing positive sentiments among existing customers rather than as a main medium in campaigns oriented to generate new customers, where persuasive abilities are needed.
- Suppliers: This category is included as a public given the greater importance now placed on supplied-user relationships. The value placed on suppliers by sponsors is of special interest given the opportunity in sponsorship events for guest entertainment/corporate hospitality.
- Workforce: The relevance to communicate with this category is recognized by the organizations. The internal public is a major factor in optimizing overall company performance. Sponsorship has the ability to show positive corporate images to the workforce.
- General public: This category constitutes a broader corporate public where sponsorship is of a particular interest because of its special capacity to act as a platform to build relations. Through sponsorship, companies can gain the interest of non-customers who will not attend to normal product-related communications.
- Local community: This category is a special segment of the general public because the sponsorship of local sponsorship activities is highly appreciated as an integrative medium whereby the business organization obtains a relevant liaison with that local community.
- Business community/key decision makers: This category includes opinion leaders, media commentators and peers within the business community. Sponsorship related to the provision of corporate hospitality provides a subtle means of influencing this audience.
- Shareholders: In this category are the effective corporate owners who are an extremely vigilant public, exercising probably the right of veto over seemingly excessively corporate expenditures.

This framework shows sponsorship selection at the broad category level, i.e. arts, sports, etc. rather than a level of individual arts, i.e. theater, opera, music, or cinema. As almost all sponsors are involved in all broad categories of sponsorship, i.e. arts, sports, etc. a meaningful relationship could not be observed between sponsor type, primary sponsorship audience, exploitation tool and the type of sponsorship selected.

Sponsorship practice does point to the fact that particular sponsor types choose specific arts or sports events and use specific exploitation media to reach prioritized audience categories. For example music festivals are a preferred cultural sponsorship choice that uses guest hospitality to reach key opinion leaders and business associates.

A third framework based on an empirical research considered two key issues regarding the sponsorship stage of selecting the sponsorship object:¹⁶⁸

1) Decisions based on:

- Local proximity to the sponsored activity
- Profile and status of the sponsored institution
- Existing relationships with the sponsored institution

2) Selection decision made:

- Proactively
- Reactively

It is commonly argued by sponsors that, working with organizations located in the same geographic area are probably to result in more effective sponsorship programs. This implies a degree of locality dependence on the part of sponsors, but nevertheless presents great opportunities for building and maintaining relationships with key local stakeholders such as supporters, employees and suppliers.

The importance of a sponsee's profile and status is a further dimension of this and demands that sponsor need to have a clear notion of what "profile and status" actually means. Selection of sponsorship objects should therefore be based upon an assessment of compatibility, including the extent to which, for example partners share a brand vision, similar organization cultures or marketing orientations.

The importance of existing relationships also suggests established formal and informal relationships represent the base upon which sponsorship programs are built on. This emphasizes the significance managers should attribute to relationship management strategies.

¹⁶⁸ See Chadwick and Thwaites (2004, p.44)

Conclusions

Taking in consideration the previous discussion regarding the selection of the sponsorship object by companies the logic behind cultural/arts sponsorship can be like the following statement: “We have spent a lot of money in an exhibition because they think the excellence of an arts event rather than just the fact that it exists, reflects the quality of a company”¹⁶⁹ Cultural sponsorship can be also used to transmit efficiently desired corporate and brand images. Nevertheless several writers on the field of sponsorship tend to associate culture (arts) with a quality upper-class image. However, as stated in the section 4.1.3., in many cases this narrow interpretation fails to appreciate the potential of mass culture such as pop art, rock music, cinema, mass appeal literature, etc. to deliver the desired image for companies whose products appeal to a mass youth audience.

By the selection of the sponsorship object a rating scale is needed. The next figure shows a simple criteria ranking:

Criteria	Criterion ranking	Scores										Total
		1	2	3	4	5	6	7	8	9	10	
(1)												
a.												
b.												
c.												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												
(8)												
(9)												
(10)												
() Others												
Total score:												

Figure 13: Criteria ranking for sponsorship selection. Source: Adapted from Meenaghan (1983)

¹⁶⁹ Anonymous

The decision of sponsorship involvement needs nowadays a more sophisticated manner:

- 1) On the current economic context firms try to be more competitive in the market, they should need an economic justification for their involvement, and
- 2) They gain cumulative experience from previous utilization of sponsorship activities.

These factors are needed in the general management of sponsorship, and particularly in the evaluation of sponsorship effects.

As in the case of selecting the sponsorship object, taking in consideration both, the theoretical frameworks discussed and the appropriateness regarding culture as the sponsorship object, the own framework constructed to developing the case studies is as following:

Selection of the sponsorship object General issue:	Sequential process	Linking special topics	Theoretical framework
Image of the brand/company	Determine the image of the brand/company	Communication objectives Target market Promotional opportunities Costs	Meenaghan (1991) Meenaghan (1983)
Matching images	Matching the company image with a cultural activity or event		Chadwick and Thwaites (2004) Meenagahn (1991)
Cultural sponsorship forms	Choose the specific cultural activity or event		Chadwick and Thwaites (2004) Crowley (1991)
Audiences	Consumer evaluation of possible different associations between brand/company and cultural activity or cultural event		Crowley (1991) Meenaghan (1983)

Table 17: Selection of the cultural sponsorship object Source: Authors own construction

Evaluation of sponsorship activities

It should be stated that according to the sponsorship literature there are two schools regarding the evaluation of sponsorship activities: a sales school and a communications school. The sales school approach objectives setting in terms of sales levels to be achieved and it suggest that evaluation take place against sales benchmarks as set. Nevertheless it can be argued that the use of sales as an objective is a marketing objective rather than a specially communications objective. Many proponents of the sales school are marketing practitioners however it can be argued that all elements of the marketing mix affect sales performance. In a similar way within the marketing communications mix any direct relation of a specific element with sales results is a misleading simplification of what is in reality a complex situation.¹⁷⁰

An essential issue in the evaluation of sponsorship activities is the presence of several complications:

- The simultaneous usages of other marketing mix or communications mix variables: because sponsorship is normally entered together with other marketing communications mix elements it is difficult to isolate the effects of sponsorship involvement. This is accentuated where the company has multiple sponsorship involvements (sports, arts, events, etc.).
- The carry-over effect of previous marketing communications effort: as most communication in marketing is on going, it is almost impossible to attribute particular results achieved to any specific marketing communication effort.
- The synergic effect of marketing communications variables: attempts to isolate the contribution of a particular effect ignore the synergic effect from the interaction between the various methods of communication.
- Uncontrollable environmental factors: attempts to examine the effectiveness of marketing communications effort is complicated by the presence of changes in the environment where the company must operate.
- The effects of qualitative inputs in marketing communications: with some types of marketing communications the creative content of the communication serves to combine with the current expenditure level to bring a market response, thereby complicating the attempts to compare the efficiency of different communication methods.
- The pursuit of multiple objectives: The marketing communications effort is often undertaken to achieve multiple objectives from the very hard-nosed commercial

¹⁷⁰ See Meenaghan (1983, p. 47 ff)

objectives to basically altruistic reasons. Both types of objectives exist in marketing campaigns, so a variety of measurement methods may be needed to evaluate the sponsorship activities. Where sponsorship acts as a direct substitute of advertising the more traditional measurement methods may be appropriate, but where the motivations are less commercial (i.e. contribution to the society) then the cost-benefit analysis may be the appropriate tool.

- Finally, the discretionary nature of media coverage: with sponsorship the level of media coverage may be dependent on the decision of editors and programmers, and lies beyond the control of the sponsor. This affects the sponsor's ability to plan and maximize the return on his investment.

Sponsors of the arts seem to carry out more frequent evaluations than sports sponsors, perhaps because arts sponsorship expenditure is usually less than that of sports, leaving some funds to undertake performance evaluations, it may also be that arts organizations, working with very limited budgets, are under greater obligation to undertake cost-benefit analyses for all marketing related expenditures. Moreover, arts sponsorship may be the only form of communication for some organizations such as legal institutions, making effects easier to isolate, measure, and respond to.¹⁷¹ In this complex operational context many of the mentioned factors will be present and must be taken in consideration in developing the approach to the current evaluation.

It can be argued in general that whether a sales school or communications school is adopted sponsorship effects should be measured against the objectives, which have been established for involvement before.

A first framework defined from the Incorporated Society of British Advertising¹⁷² suggests three logical levels at which a company should evaluate its position on any sponsorship program:

“1) *At the outset*: where are we now in terms of awareness level, attitudes, brand-image, etc.?”

2) *Tracking*: Are we on the right path? Any strong positive/negative points to adjustment or change?

3) *Final*: To what extent have we succeeded in attaining our main objective?”¹⁷³

This first framework defines a basic structure for the evaluation methods considering in the next two theoretical approaches.

¹⁷¹ See Quester and Thompson (2001, p.35)

¹⁷² For a more detailed information see the webpage ISBA (2005) <http://www.isba.org.uk>

¹⁷³ For a detailed explanation see Whitely (1982)

A *second framework* considers evaluation methods being from different nature, measuring:¹⁷⁴

1) The sales effectiveness of the sponsorship involvement: in the field of sponsorship the problem to measure the sales effectiveness is complex and it is generally difficult to determine a direct relationship between sponsorship involvement and sales results for the firm as a whole or for the sales of a specific product. In the unlikely case of sponsorship being used as the unique method of introducing a new product, the possibility of establishing a direct sales relationship is improved.

2) The communication effectiveness of sponsorship involvement: The on-going nature of most sponsorships and the work together with other communication mix elements generate a tendency to approach the measure of sponsorship effects in communication terms rather than in sales terms. The objectives have to be stated in communication terms, for instance awareness, recall, attitudes, perceptions or usefulness.¹⁷⁵ The objectives must be determined in precise terms before the undertaken of the sponsorship engagement and measurement must take place comparing the stated objectives.

3) The media coverage resulting from sponsorship involvement: it is often employed as a proxy measure of the effectiveness of sponsorship investment. This means enjoys widespread popularity mainly, because it is practicable and thus it is worth to recognize its limitations. The level of media coverage merely indicates the extent of publicity achieved and is essential similar to indicating the level of advertising time or space bought. Therefore such a measure fails to evaluate the effectiveness of the exposure gained.

4) The continuing appropriateness of the chosen sponsorship over time: the audience level for the sponsored activity, the market perception of the sponsorship activity, or the extent of the media coverage for the sponsored activity. The sponsoring company can improve the productivity of its sponsorship budgets by monitoring the changes and using the information as a basis for decision-making.

¹⁷⁴ See Meenagahn (1983, p. 47 - 65)

¹⁷⁵ For a detailed explanation see Baker (1980)

5) Monitoring feedback: a useful indication of sponsorship effects can be achieved monitoring feedback from the different publics or audiences, which are the targets of the marketing communications efforts. The monitoring of feedback takes place in a casual and somewhat informal manner.

6) Cost-benefit analysis:¹⁷⁶ The measurement methods mentioned are not appropriate to the whole range of objectives discussed in the previous sections. Certain types of objectives require a different perspective on the problem of evaluation that goes beyond cost effectiveness. Supporting the arts, for instance, the firms not necessarily look for an immediate percentage gain in market share but for a subscription to the community they will operate in the long-term. Some financial investments can be identified as investment in goodwill, where without philanthropic gestures many events would not exist.

A third framework explores different types of evaluation methods¹⁷⁷ that are discussed below:

- Exposure –based methods, consisting on two main techniques. The first one monitors the quantity and nature of the media coverage obtained for sponsored activities. This method is frequently used by practitioners but hardly criticized by scholars. Media coverage is not the objective of sponsorship and therefore it should not be used to measure effectiveness. The second one, estimates direct and indirect audiences.
- Tracking measures, consisting on measurement of awareness, familiarity, and preferences by means of surveys on customers. This method is used often in empirical studies. According to several researchers surveys should measure the association of sponsors with other criteria such as friendliness, goodness, or closeness to the community.
- Experiments, considered by some authors as an accurate method to measure extraneous variables and hence the effects of sponsorship. The limitation is that measuring the recognition of a sponsor’s ad during certain stages of an event can do the measurement.

¹⁷⁶ The term cost-benefit analysis is not strictly in line with the economic interpretation, the context is somewhat analogous in that the extended benefits to investment are being evaluated.

¹⁷⁷ See Cornwell and Maignan (1998, p. 13-15)

Conclusions

An interesting issue regarding the evaluation of the sponsorship activities is that the “personality” of the sponsorship as perceived by the market is, susceptible to change as is demonstrated by the case of jazz, once the music of the oppressed blacks in America, later associated with the early Beatnik period in Europe, now perceived as a cultural event for the upper social strata.

Where the objective of sponsorship involvement is the provision of guest hospitality to trade contacts, business associates or decision makers, the monitoring of their opinions or impressions will provide a direct measure of sponsorship impact and thereby influence the design of the future sponsorship involvements. In those situations where the objective of sponsorship involvement is to improve either staff or community relationships then the monitoring of feedback can also provide a direct measure of effectiveness. Several sponsorships are not unlike one-time patronage of the arts.

The general area of cultural sponsorship, by contrast to sport sponsorship, appears to be less capable of generating high levels of awareness and association. Several European surveys that examined awareness of corporate involvement in arts sponsorship found that in general, awareness of involvement was low. For instance, in a British survey awareness of concert sponsorship the sponsors each had a 1 per cent mentioning with a 96 per cent “don’t know” quotient.¹⁷⁸ Commenting on the ability of the arts to create awareness this report stated “industry should be most cautious on commercial grounds before embarking on widespread arts sponsorships”.

However, the sponsors generally recognize the limitations of cultural sponsorship, and rarely is cultural sponsorship entered in creating mass awareness. Commenting with sponsorship experts they stated that companies accepted the cultural sponsorship would not get the same response as sports sponsorship but it does get the name around to the right kind of people, influential people, and if the right forms of cultural sponsorship are chosen the companies can get very considerable coverage.

This is a main point regarding those firms that dismiss the awareness creation potential of cultural sponsorship because of its alleged inability to deliver mass audience, pointing to the high degree of awareness which may be achieved with very specific and influential minority populations through carefully selected cultural sponsorships.

¹⁷⁸ For a detailed explanation see Meenaghan (1983, p. 50 ff)

Several companies do not evaluate the effects of sponsorship or hire specialized organizations to measure the efficiency of sponsorship effects. Managers are aware in the case of cultural sponsorship that effects can not be only direct but also indirect and could be obtained or perceived in the long-run.

Considering the above mentioned frameworks as well as the specific characteristics of cultural sponsorship the own framework is as follows:

Evaluation of the sponsorship activity General issue:	Sequential process ¹⁷⁹	Linking special topics	Theoretical framework
Brand and image	Determination of the current brand position in terms of sponsorship awareness and image on the target audience. ("Pre-sponsorship")	Tracking measures (Cornwell et Maignan, 1998) Communication effectiveness (Meenaghan, 1983)	Incorporated Society of British Advertising (2005)
Setting of objectives	The setting of sponsorship objectives. Related to the previous managerial aspects of sponsorship.		Incorporated Society of British Advertising (2005)
Customer's attitudes	Tracking measures to identify changes on customer's awareness and attitudes toward the company or brands.		Cornwell and Maignan (1998) Meenaghan (1983)
Performance levels	Comparison of sponsorship performance levels with initial objectives. ("Post-sponsorship")		Incorporated Society of British Advertising (2005)

Table 18: Evaluation of the cultural sponsorship activity Source: Authors own construction

¹⁷⁹ For a detailed explanation see Jobber (2001)

4.4 Cultural sponsorship operative management

Little attention has been paid to understanding how sponsorship programs are effectively implemented, despite that implementation is considered a critical factor that can determine success or failure.¹⁸⁰ As mentioned in the previous section, implementation is a critical factor that can determine success or failure of the sponsorship programs. Cultural sponsorship is improving the strategic management aspects but the operative management is far away from development.

Adopting an operative perspective allows the identification of the required resources for implementation and their role in ensuring sponsorship effectiveness. Many firms engage in sponsorship activities without taking in consideration the resources required to manage them.¹⁸¹ Not only in arts (or sports) seldom their core business, but they didn't realize the extent of the support programs required and the correspondent costs. A sponsor should develop a number of sponsorship and resources should be related to generate maximum return. The description of some critical resources follows:

- Financial resources
- Branding building skills
- People
- Organizational capabilities and routines

Financial resources

To achieve a competitive advantage through a sponsorship is dependent on the strength of the link between the sponsor and the sponsorship property. A basic premise in this field is that sponsorship must be supported by additional marketing activity in order to achieve multiple corporate objectives.¹⁸² The extent to which the sponsorship expenditures are necessary is influenced by the specific objectives of the sponsorship partners and by contractual arrangements. From a competitive advantage point of view, it is very important that firms should consider sponsorship opportunities with this in mind and make an appraisal of the financial outlay over the duration of the contract.

¹⁸⁰ See Meenagahn (1991, p. 8)

¹⁸¹ See Fahy et al.(2004, p. 1013)

Brand building skills

One of the critical competences associated with sponsorship planning and implementation is the ability to grasp the inherent value of sponsorship communication.¹⁸³ To do so, it would be necessary to understand the basis of the entertainment, its associated image, and to consider the rationale underlying sponsorship objectives. Performing or visual arts events, or sport events, in their function as social services, all project an image to their society, to their environment. This is what they offer to sponsors as commercial property. This image derives from a wide range of sources, such as the personality and skill of the exponents, the marketing of these characteristics, and at last but not at least, the importance given to such factors by the consuming public.

Arts contain an attractive range of values and symbols expressed in images on its different forms to an audience. A core competence is the ability to design sponsorship programs that match the passion associated with a property and transfers it to the meaning attribute to the brand. Sponsorship is particularly useful in attaining brand awareness and brand attitude/image objectives.

Many authors do research about sponsor's need for predefined sponsorship objectives but few recognize the importance of the sponsee's role in the realization of these objectives, and fewer consider the capabilities and processes necessary to their achievement. Understanding and communicating this "perceptual match" between the brands, so that it appeals to the consumer's mind, requires considerable aptitude and expertise.

It would be necessary a strong understanding of:

- (1) Both brands (the sponsor and sponsee's brands)
- (2) The demographic and psychographic in between existing or potential target markets of both parties
- (3) The values represented by the brands for the target consumers, and
- (4) The way these values can be manipulated through sponsorship-linked marketing to enhance specific objectives.¹⁸⁴

¹⁸² See Quester and Thompon (2001, p. 33)

¹⁸³ See Fahy et al.(2004, p. 1021)

¹⁸⁴ See Fahy et al. (2004, p. 1024 -1026)

People

It is important to define the responsible for the selection, implementation and control of a sponsorship. But, who will be this responsible? Firms that have established teams who have some experience through previous involvement in sponsorship activities should be better placed to maximize their success. There is little data to suggest that sponsorship is a medium for which objective measures are successfully or easily used to measure performance, unlike other marketing tools are. Sponsorship decisions rely probably therefore to a significant extent on the intuition or past experiences of the individual who takes the decision. This commercial reality points to the necessity to empower individuals who take sponsorship decisions. This resource (self-generated and intern) represents a significant competitive advantage. Other main factor is the seniority and a relative authority upon the sponsorship manager.¹⁸⁵ This will determine the internal perceptions of sponsorship and it would be easier to achieve cooperation between the staff required to implement the task associated with sponsorship activation. Senior management was involved in the planning of sponsorship but delegated also considerable sponsorship related authority to marketing and product management¹⁸⁶. This lead to higher levels of integration of the sponsorship practices within the organization and would have added certain legitimacy to the activity, something deemed important in the past.¹⁸⁷ Sponsorship activities represent for many firms a good opportunity for internal marketing: their employees can be both motivated and rewarded through the positive feelings derived from the role of “their” firm as sponsor of a particular activity, or through the award of tickets (i.e. theatre, opera, ballet, sports, etc.) and other sponsorship-related privileges.

Organizational capabilities and routines

An organization counts not only with asset's such as financial resources an its people, but also with a potentially very valuable set of organizational capabilities, encompassing factors such as teamwork, relationships, organizational culture and the routines and skills develop in the organization over time. This extends to evaluation measures that enable comparisons of sponsorship campaigns.¹⁸⁸ A sponsorship culture that is based in an internal set of values and beliefs, and consistent with the objectives set for sponsorship investment, is in itself a principal organizational capability. The development of particular routines may also need to reflect the emphasis given to

¹⁸⁵ See Fahy et al.(2004, p. 1021)

¹⁸⁶ See Farelly et al (1997, p. 174)

¹⁸⁷ See Meenaghan (1983, p. 24 -25)

¹⁸⁸ See Farelly et al (1997, p. 176)

sponsorship. Early movers are best placed to build on their past experience and should be able to keep a leading edge over imitators. So they can realize their capabilities in a way to maintain and enhance them.¹⁸⁹

Managerial decisions result from a set of decision-making functions logically connected to constitute a managerial decision-making process as showed in the figure below.

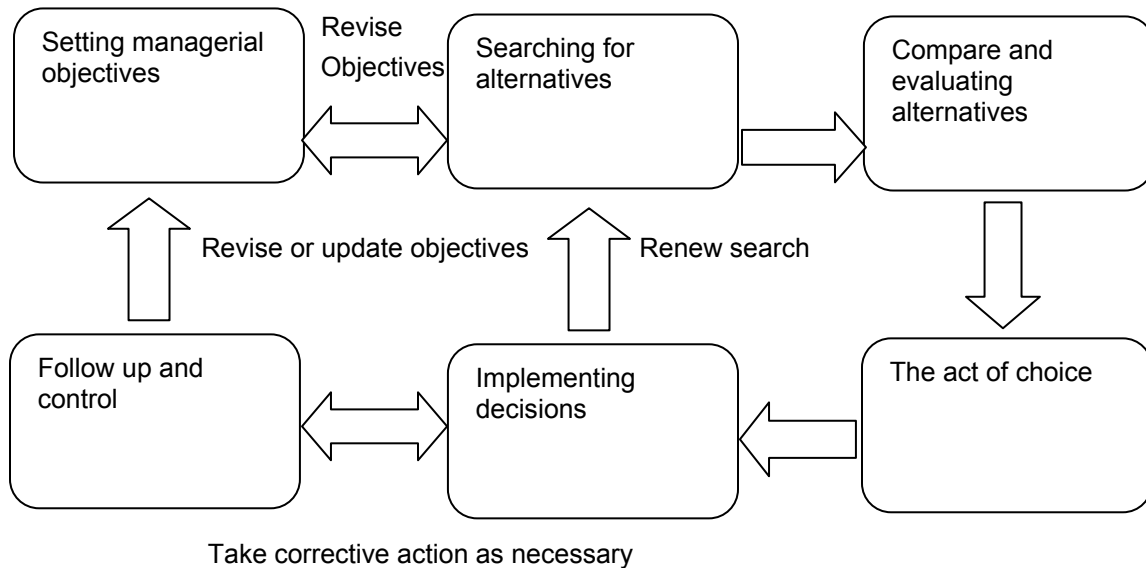


Figure 14: The managerial decision-making process. Source: Harrison (1996, p. 59)

As discussed in the previous section the decision making process begins with the setting of objectives, the attainment of which invariably requires a search for information from which to develop a set of alternatives. These alternatives are compared and evaluated using applicable criteria, and the alternative that gives greatest promise of attaining the objectives is chosen. The selected alternative is then implemented through existing structures, systems and processes, after which it is subjected to existing follow-up and control procedures to ensure an outcome compatible with the initiating objectives. So the financial resources, branding building skills, people, and organizational capabilities and routines could operate in an accurate framework.

¹⁸⁹ See Fahy et al. (2004, p. 1017 -1019)

5. CULTURAL SPONSORSHIP IN GERMANY.

In the last chapter the economic analysis of cultural sponsorship -as well as the strategic and operative management- were discussed. In order to interpret the German cultural sponsorship into the managerial framework this chapter begins with an overview of the German cultural policy; contains an analysis of the cultural sponsorship situation that includes the discussion of the cultural audience and ends with the case studies of AUDI AG and SIEMENS AG.

5.1 German cultural policy

The general conditions established by the “Bundestag”¹⁹⁰ targets cultural policy traditionally on the arts promotion (visual arts, performance arts, music, literature). These include also political and federal activities that support the promotion and conservation from cultural goods and services, and the protection of artistic rights.

Since the 70s Germans developed a wide appreciation for the cultural policies. Hermann Glaser defends the „*Bürgerrecht Kultur*“, Hilmar Hoffmann promoted „*Kultur für alle*“. In the 80s and 90s cultural discussions were about the basic principles of a wider cultural appreciation, regarding the inclusion of new cultural concepts in their policies. Culture is not only in theatres, operas and museums, but also in everyday life. Therefore is the so-called “*Soziokultur*” an important part of the cultural scene and of the cultural promotion as well. The wide cultural concept -that considers different arts forms and providers- is not only the base for institutional cultural work but also the base for reflection in an aesthetical dimension¹⁹¹. Together with this development came an increasing peoples demand regarding the cultural supply.

The cultural life in Germany implies the co-action among cultural society, private and public sector. These three groups are deeply involved and work together in a coordinated way; private sector complements the public sector function in some cases. Culture is also a society’s factor that is very important in an economical view. Cultural supply has an effect on place and employment enterprises and workers decisions.

¹⁹⁰ The German Parliament

¹⁹¹ Heinrichs (1997, p. 22ff)

Although constantly tensions in the history of the Federal Republic regarding individual cultural promoters areas or individual topics, there is a relatively high measure of common views developed over the culture and arts promotion. The "dominant opinion" among the constitutional lawyers is that the state and the municipalities have to promote arts or literature as well as the cultural interests. But this may not interfere with the artistic freedom.

Central issues on cultural promotion are:

- 1) Maintenance of public institutions (i.e.: theatres, museums, libraries), that are direct related to culture procurement,
- 2) Indirect cultural promotion through favourable legal-social basic conditions (i.e.: tax-, social- and media laws, reduction of admission fees for certain groups, or special offers for schools and universities),
- 3) Direct economical support in the culture- and media sector (particularly within the film production and distribution areas, through print cost subsidies, for example) and
- 4) Promotion of free cultural activities (awards or grants for artists and authors, through the private support from theatres, amateur associations, arts associations, etc.).

Public budgets, from state and communes, are mostly used in order to procure professional arts tasks and cultural education.¹⁹² Direct motivation -through cultural individual productivity - like in Sweden or in France, is not included in the Germany's cultural promotion policies. Besides the cultural policies and cultural promotion generated from public sector, there are an extensive and multifaceted cultural work and promotion generated from public and private radio and TV enterprises, institutions and other groups of society - like churches, unions and associations-, communal organizations, initiatives, clubs and private persons. This network, lying in an intermediate area between the state instance and the cultural scene, is a complementary sector that has become indispensable in order to attain a vital and developable culture for the civil society.

¹⁹² For detailed information see tables 19 and 20.

Cultural promotion is in Germany, one of the few political fields where communes, states, and federation take their own decisions; they follow their own strategic goals. This federal practice has led to a wide artistic and cultural infrastructure in all the German regions. In Germany – in comparison with many European capitals - is the metropolitan concentration largely unknown. However, the identification and account of financial streams is in a federal organized state disproportionately complicated as in a centralized one.

A central configured cultural administration can define the cultural field uniformly, and manage the means and the configuration of future arts and culture developments. It would be needed, this centralized settlement to be configurable and manageable. In the German federal cultural promotion system there are -in contrast- a diversity of actors and operation levels where the methods, financial management and data collection also differ. The definition of the cultural sector shows already this fact: communes, states and federation work with different –wide- or closely related – classifications of the cultural concept.

There are thus diverse statements regarding the public cultural costs, those could differ in milliards. Other cultural statistical classifications are the following: German communal statistics of the Culture minister conference, „Bundesregierung“, „Statistischen Bundesamt“, EU- Culture statistics, and UNESCO- classification. This statistical inconsistency is therefore a big handicap: only with a great effort it is possible to compare the expenditures in culture, but the inconsistency remains over the years. These diverse data statements about public expenditures in culture cause confusion in politics and official administration. The government has addressed these discrepancies in the coverage of the cultural concept: “There are none consensus at the time - in the political field- on the definition about culture.”¹⁹³ The government has named therewith a fundamental problem (statistical compilation) in the public cultural financing.

¹⁹³ Bundesregierung (2000, p. 2)

In Germany there are none consensus indeed what culture is all about. General related data, regarding cultural financing, are therefore not possible at all. This means that every statistic coming from the different actors in the cultural policy must be taken with reserve. The above mentioned – different actors and different structure relationships- show a diversification in the cultural life of Germany and in the development of a plural and active cultural policy. In recent years it can be observed that not only the cultural public financing is needed but also -increasingly- the engagement from private actors in the cultural scene. Hence, the concept of cultural sponsorship –besides the traditionally philanthropy- has become an important part of the culture financing. This is last but not least in order to finance big cultural events.

Public budget expenditures: arts and preservation of culture ordered by field of activity in mill. EUR					
Field of activity	1995	1999	2000	2001	2002
Theater and music	2 752	2 875	2 966	3 080	3 224
Libraries	1 058	1 270	1 306	1 372	1 312
Museums, collections and exhibitions	1 130	1 218	1 284	1 376	1 242
Preservation and maintenance of monuments	315	313	318	404	537
Cultural affairs abroad	362	329	314	315	320
Arts schools	369	396	418	436	423
Other cultural preservations	1018	1 056	1 110	899	736
Cultural affairs administration	464	479	492	519	499
Total cultural expenditures	7 468	7 937	8 206	8 400	8 293
For information only: Other related areas („Volkshochschulen“ (public schools) and further education, church affairs, radio and television)	1 438	1 466	1 463	1 646	1 533
Source: „Jahresrechnungsstatistik, Grundmittel in der Abgrenzung der Kulturausgaben entsprechend dem Funktionenplan der staatlichen und dem Gliederungsplan der kommunalen Haushalte“					

Table 19: Public budget expenditures: arts and preservation of culture (Germany)
Source: "Statistisches Bundesamt Deutschland" 2005

Public budget expenditures: Education, science and culture				
Regional authority/ field of activity/ indicators	2001	2002	2003	2004
Ordered by type of regional authority in mill. EUR				
Total	87 207	90 161	90 711	91 761
German Confederation	10 178	10 530	10 547	11 534
States	62 293	64 850	65 316	65 379
Communes and associations	14 735	14 781	14 848	14 848
Total education-, science- and culture indicators				
In mill. EUR	87 207	90 161	90 711	91 761
EUR per capita	1 059,11	1 093,09	1 099,26	1 112,27
Participation in total budget in %	17,29	17,97	19,65	19,62
Participation in gross domestic product (GDP) in %	4,20	4,28	4,26	4,21
Education indicators				
In Mill. EUR	70 444	73 444	73 972	74 898
EUR per capita	855,52	890,43	896,41	907,87
Participation in total budget in %	13,97	14,64	16,02	16,01
Participation in gross domestic product (GDP) in %	3,40	3,49	3,48	3,44
Science and research indicators (Universities are not taken in consideration)				
In Mill. EUR	9 342	9 233	9 354	9 506
EUR per inhabitant	113,46	111,94	113,36	115,22
Participation in total budget in %	1,85	1,84	2,03	2,03
Participation in gross domestic product (GDP) in %	0,45	0,44	0,44	0,44
Culture and church affaires indicators				
In Mill. EUR	7 421	7 483	7 385	7 357
EUR per capita	90,12	90,72	89,49	89,18
Participation in total budget in %	1,47	1,49	1,60	1,57
Participation in gross domestic product (GDP) in %	0,36	0,36	0,35	0,34

Table 20: Public budget expenditures: education, science and culture (Germany).
Source: De Statist, 2005

5.2 German cultural sponsorship

The private sector has also obtained an important role in the cultural policies at all. For a long time is the German government trying to cut costs in different areas, in order to attend the social budget, and cities and communes are notoriously under pressure. Communes hold a big responsibility and a high cost burden related to culture financing.

This is therefore one important reason for the communes to introduce innovative ideas and methodologies in order to achieve their goals, like the inclusion of private commercial partners and the request of new free common cultural production at the same time. ¹⁹⁴

Nevertheless lack of clarity of definitions implies that accurate measurement of a sponsorship market can present considerable difficulties. A precise quantification of the scale of the sponsorship market is complex to establish for the following reasons: ¹⁹⁵

- The problem of what constitutes sponsorship and in particular what expenditures are assignable as sponsorship as opposed to other methods of marketing communications, difficult an even estimating of market size.
- The sponsees especially those with a national organization may be often unaware of the value of total sponsorship receipts.
- Firms may be reluctant to publicize the extent of their sponsorship expenditures for a variety of reasons, because a) they do not want to alert their competitors to the details of their sponsorship expenditures, b) they do not want provide the existing or potential sponsees with a bargaining platform that could be use in subsequent negotiations, c) in certain instances it may be considered inappropriate to alert employees or shareholders as to the extent of sponsorship expenditures.
- Sponsorship “in kind” constitutes a significant part of all sponsorship activity generating the problem of accurate monetary measurement. The level of sponsorship fees may be susceptible to estimation, but sponsorship “in kind” activity creates difficulties particularly at the local sponsorship level.

Given the difficulties it is perhaps not surprising that the estimates, which are available, show no great degree of accuracy and may be considered guess estimates. The above

¹⁹⁴ See Müller and Singer (2004, p. 47-51)

¹⁹⁵ See Meenaghan (1983, p. 7)

mentioned – different actors and different structure relationships- show a diversification in the cultural life of Germany and in the development of a plural and active cultural policy. In recent years not only the cultural public financing is needed but also - increasingly- the engagement from private actors in the cultural scene.

Regarding the scope and volume of corporate arts investment it was not until the early 1980s that a growing number of businesses in Germany actually supported the arts.¹⁹⁶

It is not feasible to provide consistent data on corporate sponsorship for established cultural institutions in Germany¹⁹⁷. No data on cultural sponsorship are centrally collected. Sponsorship studies always depend on initiatives by communication or marketing agencies, or academic research.¹⁹⁸ Therefore, definitions, methodologies and even regional focus vary and data are not comparable over time. A summary of findings of recent studies may, however, give an indication of German cultural sponsorship climate.

The most in depth study of cultural sponsorship in Germany was undertaken by the communication agency 'Kohtes & Klewes' in 1997. Based on the average arts sponsorship volume of 72 companies that answered the question about sponsorship budget, the agency estimated a total cultural sponsorship volume of approximately €500m for all Top 500 companies in Germany. The study also reveals that the majority of German companies (70%) sponsor self-initiated projects rather than supporting existing schemes, and 60% of respondent's state they focus on long-term partnerships. The study offers also a statistic of German firms engaged in cultural sponsorship by branches. (See figure 12)

The ISPR-GmbH for 1999 calculated €300m of total cultural sponsorship in Germany. This is based on a survey of 250 companies. This figure includes popular music as well as science sponsoring, without stating the share of investment within these categories. The cultural sponsorship volume, as defined in this study, is rather addressed in a statement by the former director of the "Arbeitskreis Kultursponsoring".¹⁹⁹ He quotes €250m as the figure of business sponsorship of the arts. This would mean that companies in Germany thus invested 0.013% of GDP in the arts in 1999, and thereby matched less than 4% of public arts budget.

¹⁹⁶ See Bruhn (2003, p. 3ff)

¹⁹⁷ See Schwaiger (2001, p.2)

¹⁹⁸ For a detailed information see Zimmermann (1997), Hermanns (1998, 2000, 2002, 2004)

¹⁹⁹ Former director of the AKS Dr. Ludger Hünnekens (2000)

The Pilot Checkpoint market research agency calculates for 2006 €400m of total cultural sponsorship in Germany.

Since there is no consistent or central sponsoring data collection over time, trends cannot directly be drawn. Based on surveys of trends, there is general agreement that the popularity of cultural sponsorship is increasing.²⁰⁰

The “Arbeitskreis Kultursponsoring” (working group cultural sponsorship) AKS was set up in 1996 on the initiative of the cultural affairs group of the association of German Industries (BDI)²⁰¹. It represents a network to link corporate arts sponsors with each other and to externally represent one common face of arts sponsoring. Aims of the AKS are to “lobby and inform government on sponsorship laws, commission studies on sponsorship effectiveness, and set up working groups”²⁰² The AKS proved to be very successful in lobbying the government to shape tax legislation when sponsoring laws were changed significantly in 1998. Based in Berlin it employs a full time managing director and an advisor. It is financed exclusively by contributions from their 70 corporate members. The AKS thus impacts on cultural sponsorship in Germany by shaping the framework rather than actively managing or facilitating partnerships.

Tax benefits may apply for donations or sponsorship payments to non-profit organisations. For example, the donations may reduce the taxable income of the donating party. Also, depending on the exact nature of the sponsored activity, a reduced sales tax or no sales tax at all may apply. On the side of the sponsored activity, the sponsor's payment may be classified as taxable income of a business operation or as a tax-free increase of assets. The former is likely where the sponsor has a significant advertising effect, such as posters, links to the homepage and so on; the latter applies in cases where the advertising effect is only secondary and the reference to the sponsor is reduced to a minimum.²⁰³ In other words cost of sponsorship in Germany is deductible as a cost of doing business.

²⁰⁰ German studies from Schwaiger (Institute of Marketing Munich, 2002) Hermanns (Bob Bomlitz Group, 2004) Angenendt (Pilot Checkpoint, 2006)

²⁰¹ BDI: “Bund Deutscher Industrie”

²⁰² See Arbeitskreis Kultursponsoring: www.aks.de

²⁰³ See International Sales and Marketing Practice Manual: Volume 1

In section 4.1.3 the classification of the cultural sponsorship application was presented, and the conclusions state that researchers tend to associate the arts with a quality upper-class image but that in many cases this narrow interpretation fails to appreciate the potential of mass culture activities to deliver the desired image for companies whose products appeal to a mass youth audience. As stated before sponsorship of the popular arts is now a common practice and widely accepted among the target groups.

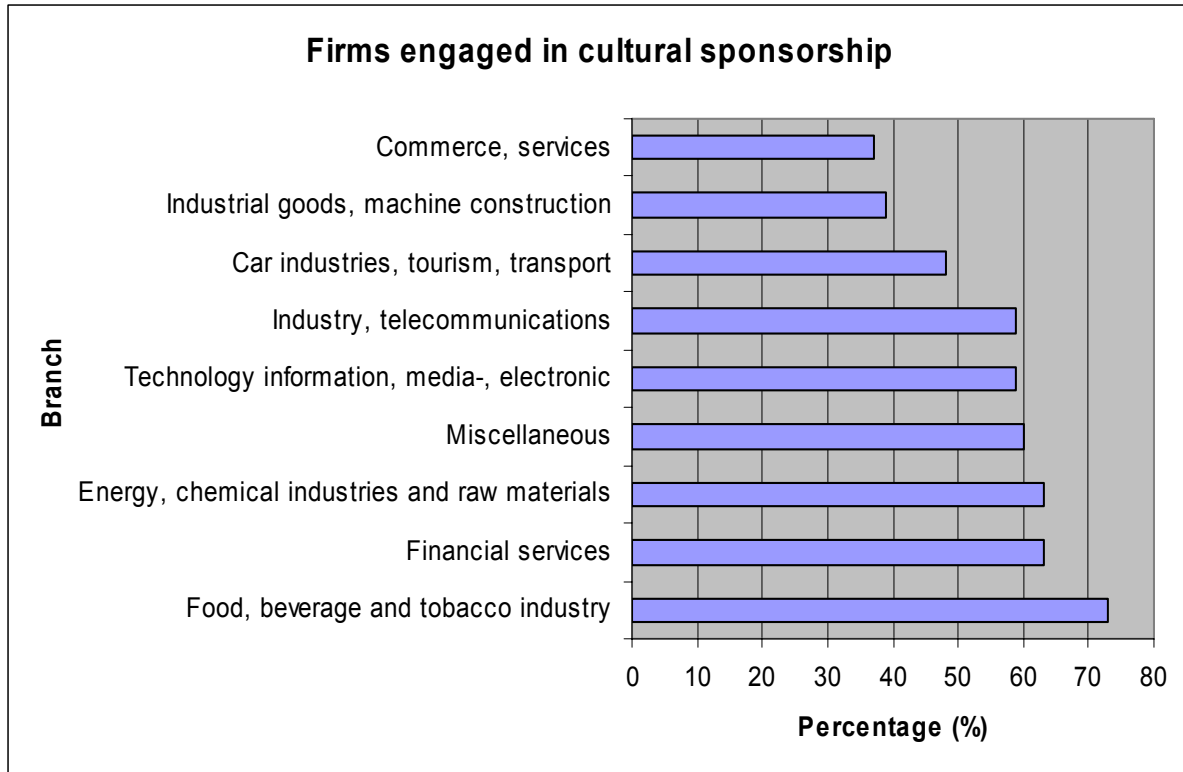


Figure 15: Firms engaged in cultural sponsorship by branch in Germany
Source: Kohtes and Klewes (1997)

Regarding the amplitude of cultural sponsorship applications this can include many target groups. So in order to have a broad idea of the German consumer and their cultural interests the Sinus-Milieu approach brings some relevant aspects.²⁰⁴ The summarized classification is shown in table 19:

1. The conservatives (5%): the old German citizens, conservative culture critic, humanistic obligation bias and educated modals. They are interested in *classical arts* (theatre, opera, and museums).

²⁰⁴ A "Sinus Milieu" includes the social milieus in which people with similar "every day life" reality are arranged in. The main issues considered are: view of life, patterns of life, value priorities, social position and lifestyle. For the detailed description of the characteristics in all the categories see Schulze (1999, p.1-7)

2. The established (10%): the confident established, success ethics, “everything is possible” thoughts, exclusivity as goal. *Arts* and individual travels correspond to their lifestyle.
3. The post-materialistic (10%): they are called the post 68 generation, liberal thoughts, post-material values, and intellectual interests. They are interested in *literature*, *arts* and postgraduate education.
4. The modern performers (9%): the young, unconventional performance elite, intensive life (professional and private), multi-options, flexibility, and multimedia fans. Besides multimedia interest they engage in sports and outdoor activities (cinema, pubs, and *arts*).
5. The traditional (14%): the so called “war generation”, for security and order are their leitmotivs, traditional work culture. Their interests are narrow, mainly confined to their homes (garden work, “make it your self” culture), family, and own health. They are modest consumers.
6. The DDR nostalgic (6%): the migration²⁰⁵ losers, prussic sites, old socialistic ideas from equality and solidarity. Their interests regarding free time activities are focused on house improvements. They are against prestige consume because it is a Western tradition.
7. The modern mainstream (16%): they search for security in professional and social life, harmonic relationships. Their interests are convenience-oriented. Smart shoppers.
8. The consumption –materialistic (11%): the materialistic low class, consumption as compensation for their social disadvantages. Their interests are entertainment, distractions, action, and fun: bars, football, shopping centre tours, videos, radio.
9. The hedonists (11%): no conventional habits. Their interests are TV, video, music, and computer games, and sports. Frequent consumers according to their low budgets.
10. The experimentalist (8%): the new bohemians, spontaneity, contradictory life, and avant-garde style. Their main interests are in *music*, *arts*, *specific films* and *books*.

²⁰⁵ Migration is referred to the “Wende”, Ost German moving to the West after the wall fall.

Milieus	Percentage (%)
Conservatives	5,00
Established	10,00
Post materialistic	10,00
Modern performer	9,00
Traditional	14,00
“DDR“ Nostalgic	6,00
Modern mainstream	16,00
Consumption materialistic	11,00
Hedonists	11,00
Experimentalists	8,00
Total	100,00

Table 21: Sinus Milieu in Germany. Source: Sinus - Sociovision (2005)

As stated before the cultural audience can thus be regarded in a broader approach; the groups with interests in arts related activities are mainly the conservatives, the established, the post materialistic, the modern performers, and the experimentalists.

5.3 German case studies

As explained in the methodological chapter the goal of the case studies is an exploration of the managerial aspects of cultural sponsorship in German firms.

The basic framework derived from this goal and developed in section 4.3 stated three main issues:

- 1) To explore the objectives setting in cultural sponsorship activities.
- 2) To explore the selection process and criteria regarding cultural sponsorship objects.
- 3) To explore the evaluation process and the definition of success criteria regarding cultural sponsorship activities.

The case studies of AUDI AG and SIEMENS AG are presented in the following sections.

5.3.1. Case study of AUDI AG²⁰⁶

AUDI AG is a manufacturer originally established 1909 in Germany by August Horch and is owned at the time by the Volkswagen Group in Germany. Worldwide the company has about 50,000 employees while AUDI in Ingolstadt employs around 31,000 and in Neckarsulm about 13,800. During 2004 AUDI sold nearly 780,000 cars worldwide and had a turnover around 24 billion Euro. In Germany AUDI sold 235,092 cars during 2004. This represents a market share of 7.2 percent. Since this case is based on AUDI in Germany the following data presentation will only focus on that company, however AUDI in Germany will be referred to as AUDI in this section of the dissertation.

AUDI allocates approximately 15% of their total marketing budget into sponsorship and event activities. Around 10% of that money is spent on sponsorship dealing with arts (particularly music). AUDI is currently involved in major projects¹: AUDI became the principal sponsors of the Salzburg Festival in 1995. Since 2002 AUDI has been sponsoring new productions of the Munich-based Bavarian State Opera. In addition to sponsoring the Schleswig- Holstein Music Festival, the Händel Festival in Halle, AUDI has been holding its own summer concerts since 1990.

AUDI is in an intermediate stage of organizing for tactical and strategic cultural events and therefore the organisation today might change in the future since they already know the advantages of full integration. They believed that sponsorship should not be separated from the marketing mix but rather seen as a further tool to strengthen the already existing strategy. This thought does not only exist in theory but is actually being practised by the company today.

AUDI's intention is to approach BMW since their brand is associated with driving performance. They emphasises the sale stimulation and thinks they are using the already existing brand awareness when focusing on sales stimulation. AUDI as a name is well known worldwide by consumers; but Mercedes and BMW consumers are aware what the brand stands for, in AUDI's case it is harder to tell.

Competitors see AUDI with a product promise of being "*technologically advanced*"; however the lifestyle reference is described, as "*probably a progressive couple, but the picture is vague*".

²⁰⁶ The different sources used to develop the case are: mailing with AUDI executives, telephon conversations with AUDI executives, documentation received, annual reports of the firm and internet public interviews of AUDI and sponsored institutions.

AUDI's objectives setting for cultural sponsorship

AUDI's sponsorship engagement can be recognised in several fields: cultural events, sporting events, social events, among others. The Audi Art Experience is used by AUDI as a tag for its activities in the promotion of culture. The decision to sponsor culture is a strategic decision made by the company's headquarters (see figure 13); management interest was not a main consideration when choosing to sponsor culture.

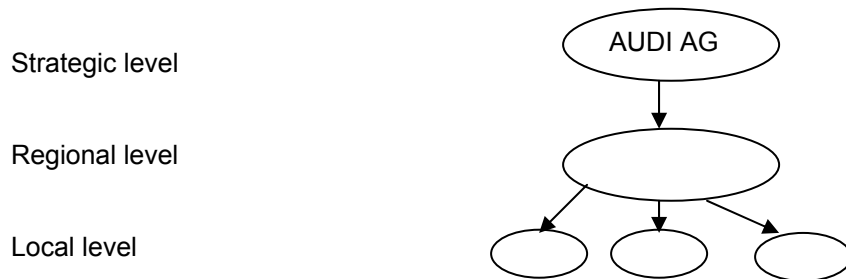


Figure 16: Communication channel of cultural events/activities at AUDI AG

There is too much information today for the consumer and a company needs to be unique in order to be distinguished from other competitors. To really provide the consumer with an experience: arts sponsorship is a strong experience, in which the companies can add an effective dimension, the interaction between company's people and the consumer.

The company sponsors also many types of sport events. Still, researchers mean that using too many different communication channels can be interpreted in different ways and confuse the consumer. This might be indicating that AUDI is working with a more short-term perspective. On the other hand the Audi Art Experience develops a long-term commitment with cultural institutions in the Region.

Regarding cultural events, AUDI has a centralised organisation, due to the need for control. Focus of brand-builders today is to have global brand, the firm is still chasing a global brand. However, even if AUDI emphasized a centralized organisation, their sponsorship events were executed in co-operation with partners.

A great similarity between car companies is that not all the traditional marketing departments are integrated in the creating of arts events.

The ultimate goal with the company's sponsorship, as with any promotional activity is to increase sales in the long run. However the company has more specific objectives with their cultural sponsorship.

AUDI uses for instance musical, performing, and visual arts as arts forms to sponsor, since they stand for many of the image characteristics and values that they want to communicate to the different publics.

Supporting cultural activities it is possible to gain media exposure -for instance lifestyle magazines- directed to a selected target group (cultural audience) to a reasonable cost.

Cultural sponsorship objectives are also to retain customers by building relations and attracting new customers. The importance of interaction will increase in the future since the added value that is possible to achieve with human factor in cultural events will be one key issue that separates automobile companies.

Another objective for AUDI is to gain association. By the "Ring of Nibelung" presented in the Bavarian State Opera- the partnership from AUDI with the four rings in its emblem, shows how well partner and project fit together. As exclusive sponsor, AUDI accompanies the four elaborate and prestige-destined parts of "The Ring of Nibelung" in 2002 -2006 on their way to success. As part of the cooperation, the first act of die "Walküre" was presented in concert form at the Summer Concerts in Ingolstadt.²⁰⁷

Every summer AUDI invites its dealers, major clients and press representatives from all over the world to Salzburg. The links between the arts and business are, however, also implemented on a specific operational level. Through its activities for personnel in the German plants in Ingolstadt and Neckersulm, AUDI staff can experience the Salzburg Festival live. Furthermore the guest performances of the Salzburg Festival during the "Summer Concerts" organized by AUDI have now assumed the character of a tradition.

So they want people and especially their target group to link AUDI cars to aspects that characterize the arts form they are sponsoring. There is a link between AUDI and the

²⁰⁷ See <http://www.bayerische.staatsoper.de>

Bavarian State Opera –quoting the Bavarian State’s artistic director – “nothing is more enduring than change- this awareness and the related quest for new solutions and interpretations link the Bavarian State Opera with AUDI”. In a broader perspective the company wants consumers to associate the regional cultural scene with their company.

In general they asked for usual decent branding of arts materials with AUDI-logo and hospitality prerogatives for AUDI as a founder/main sponsor. Furthermore, that is an association with lifestyle, high performance and success. In a certain way they can control the image of high performance because of the participation of virtuous musicians in the different cultural activities.

Cultural sponsorship in AUDI is a foundation of the communication platform, where several other promotional activities and communication are built on. They participate not only in performing and musical arts but also in visual arts and museums as sponsors. In this latter case the company asked for a space for presentations of arts and automotive design, including incidental display of AUDI-car models. This campaign can be seen as a way of legitimizing the AUDI’s car design as an “arts work”.

The company also uses sponsorship as a way of building relationships with retailers and with sellers. By using famous artists or major cultural events they can attract retailers to get involved in relationship building activities. They invite retailers to concerts, festivals or vernissages, a.o., to build long lasting relationships.

AUDI is aware of the importance of the image of arts, but it is not one of the objectives to enhance or improve the image of the company through their sponsorship. The company highlights the importance of a matching image between the arts form and the image the company wants to communicate. Therefore, AUDI’s sponsorship can be seen as a means to correlate the company image to the image associated with an specific cultural object or event. (For instance: Bavarian State’s Opera: new solutions - new interpretations, Salzburg Festivals: innovation, or Museums: car design = arts work.)

Motivating current employees, creating goodwill, or recruiting new employees are additional objectives. As said before AUDI staff can experience the Salzburg Festival “live” in Ingolstadt or Neckersulm.

Goodwill is recognized as an important part of the sponsorship, as a part of the association objective and can be the result of sponsorship activities.

AUDI's selection of cultural sponsorship objects

The initiative to sponsor objects of a smaller scale is often taken by the one who wishes to be sponsored. Nevertheless when deciding on a larger sponsorship campaign, AUDI looks for a suitable sponsorship object and contact it.

The company seeks arts forms or activities that attract the attention and are appreciated by the target group AUDI wants to communicate with. The larger sponsorship campaigns are based on directions from AUDI headquarters since they want to communicate a similar message in several regions.

The process of selecting a certain arts form or event to sponsor starts with evaluating what car models AUDI wants to promote and what target group they intend to reach. Target market needs, desires and interests are also considered. Further the image they want to communicate to the target group is established. Cultural activities that match the desired image and attract the attention and interest of the target group are then considered. The final decision to sponsor a larger campaign is a strategic long-term decision and it is taken by the management in coordination with the marketing department.

Thus there are two relevant criteria that AUDI considers when deciding a cultural object to be sponsored:

- 1) The importance of the sponsored arts form or event to match the image that the company wants to communicate and be associated with, and
- 2) The level of attention that the arts form or event to attract the desired target group.

Since the year 2004 AUDI includes in the "Audi-Arts-Experience" the "European College of Arts" in Berlin, a development scheme for talented artists from European states. The head of communication of AUDI explained²⁰⁸: "We are thrilled by this project. The main reason for AUDI's involvement in the European College of Arts is that both industry and the arts, the promotion of highly talented young people is the cornerstone of a successful future". The project is a joint initiative by the car manufacturer, the Berlin University of Arts and the media entrepreneur Christiane zu Salm.

²⁰⁸ Interview in Audi Art Experience www.audi.com

The Head of AUDI brand group design explains: “Design represents the combination of creativity with what is technically feasible. In the car manufacturing world we cross over between the realms of art, ideas and technology for professional reasons. It is becoming increasingly important to find young people with new ideas of their own.” ²⁰⁹

Regarding the company’s brand, for instance:

- AUDI and Arts Exhibitions: the car design associated with fine arts so the brand is awarded as elegant and luxurious such as them of the direct competitors in the classic car models. Or the car design associated with modern arts so the brand is awarded as modern and innovative such as them of the new car models.
- AUDI and Opera: movement, virtuosity, high performance, cultivated way of life. So the demographics such as age, education and income group of AUDI’s target market matches with the audience and participants of this particular arts event.
- AUDI and Festivals: variety, innovation, regional interests. In order to communicate an attitude and a demand for AUDI cars among a broader and also younger audience.

Yet another factor to consider before choosing an arts form or event to sponsor is the former or current sponsors on the sponsorship object. AUDI does not want to enter into a sponsorship activity in the cultural field if a main competitor is or has been sponsoring the cultural activity earlier. It would be take a too long time before the audience associate the event to AUDI instead of the previous sponsor.

Just as reference, in a reputation study of cultural sponsorship developed by the Institute of Marketing Management in Munich, AUDI is referred as sponsor of the Salzburger Festival and the MDR Music Summer looking for the matching between the company’s engagement and the regional economic situation. So it is argued that on the musical field, festivals are specially sponsored because of their international allocation and public that assure a high awareness effect. This occurs frequently in the so called “low saison” which makes possible a focused attention. These are effective, limited, and manageable projects. ²¹⁰

²⁰⁹ Interview in Audi Art Experience www.audi.com

²¹⁰ Interview in <http://www.festspielfreunde.at>

Evaluation of cultural sponsorship activities

The measurement of the effects of a sponsorship campaign is a highly complex process. Therefore AUDI employs a specialized institution in Germany to measure the effects of their sponsorship activities continuously. When the results of the measurement are received they handle the evaluation of the results and compare them to the stated objectives for the sponsoring campaign. For confidentiality reasons further explanations about the comparison between objectives and results are not published or mentioned in interviews.

The importance of consistency in the measurement methods of effectiveness have to be emphasized. The institution that develops the evaluation study is an important University in Germany, whose researchers count with experience in the field since 1998. The data has to be comparable with previous years data in order to successfully define the effectiveness of a sponsorship and to determine if the company is doing it right.

AUDI measures the effectiveness in several different forms in order to gain a comprehensive understanding of how well they have performed their sponsorships. For instance the company is interested in attitudes, feelings, and thoughts about AUDI among their audiences. These are investigated through interviews, focus groups, and surveys. In addition to the audiences' perceptions of the company, AUDI also continuously measures the return on invested capital on sponsorships.

AUDI has used the same measurement method of sponsorship campaigns since the 90's and is currently satisfied with it. However, some improvements could be possibly made, but the importance of consistent data from year to year difficults the methodological change.

AUDI emphasizes the importance of measuring the effectiveness of any sponsorship campaign in order to examine the return of money invested. Nevertheless it is rather difficult to measure direct effects of certain sponsorships, since the buy of a new car is a complex purchase decision. Therefore the effects of a certain cultural sponsorship campaign on the one hand might not result in increased sales right away. The measurement of changes in image and how the company is perceived by its target markets, on the other hand, are difficult to examine accurately.

5.3.2 Case study of SIEMENS AG²¹¹

SIEMENS' operations are divided into six business areas: Information and Communications, Automation and Control, Power, Transportation, Medical and Lighting. The Information and Communications business area – comprising the Communications Group and the Siemens Business Services Group – provide a comprehensive spectrum of information and communications solutions.

- The Automation and Control business area – comprising the Automation and Drives Group, the Industrial Solutions and Services Group, and the Siemens Building Technologies Group – supplies products, systems, solutions and services for industrial and building automation and for airport and postal logistics
- The Power business area – comprising the Power Generation Group and the Power Transmission and Distribution Group – offers a full range of energy solutions, ranging from electricity generation to the transport of electrical energy from power plant to consumer.
- The Transportation business area comprises the Transportation Systems Group (rail systems) and the Siemens VDO Automotive Group (automotive systems). With their wide array of products and services, both Groups are making mobility more efficient and environmentally friendly.
- The Medical business area – comprising the Medical Solutions Group – is renowned for its innovative products, complete solutions, services, and consulting for the healthcare community.
- The Lighting business area – comprising our subsidiary Osram – specializes in lighting sources, electronic control gear and light management systems.

From the financial information the following numbers are obtained:

(€ in billions)	2005	2004
Net sales	30,2	30,1
Gross profit on sales	8,5	8,0
As percentage of sales	28,1%	26,5%
Marketing, selling and general administrative expenses, net	(6,9)	(5,6)
As percentage of sales	22,8%	18,6%

Table 22: Selected financial information at SIEMENS AG

Source: Based on Siemens Annual reports 2004 and 2005. Author's own construction

²¹¹ The different sources used to develop the case are: mailing with SIEMENS executives, telephon conversations with SIEMENS executives, documentation received, annual reports of the firm and internet public interviews of SIEMENS and sponsored institutions.

The firm's philosophy and culture

All Groups are following their action plan, which they call Fit4More, with a target completion date of April 2007. It embraces four main pillars:

- Performance and Portfolio: They are committed to achieving profitable growth by growing their sales at least twice as fast as global GDP and ensuring that every one of their Groups achieves its margin targets. Strengthening their portfolio is an ongoing process that includes continuous adaptations and acquisitions.
- Operational Excellence: They are committed to executing the *top+* Siemens Management System with its sharp focus on innovation, customer focus and global competitiveness, including finding the most strategic fit in today's ever-changing global value chain.
- People Excellence: They are working to create a uniform high-performance culture Company-wide – one that motivates our people to excel at everything they do. After meeting with countless employees worldwide, they know their employees are excited about their people excellence programs. They are also increasing their global talent pool, establishing career tracks for specialists and offering a new curriculum for their Siemens Leadership Program.
- Corporate Responsibility: They are committed to being an active and responsible member of every community where they do business worldwide and they've set the goal of becoming best-in-class in corporate governance, business practices, sustainability and corporate citizenship.

They have an area for "Corporate Responsibility" and they communicate their engagement through the magazine: „Unternehmen fördern Kultur - Corporate Cultural Responsibility -Das Informationsmedium zum kulturellen Engagement von Unternehmen. Reportagen, Hintergründe und Tipps“

The Siemens family was always involved in supporting the arts. Siemens AG develops cultural sponsorship in a unique model. Siemens don't interfere within artistic creation. "We are very proud of this aspect. Artists do have a total independence in their work. Other firms, as you can see in the texts we have sent you- ask for what they want on this behalf."²¹²

²¹² Quoted after Mrs. Imke List, Siemens Arts Program

Objective setting for cultural sponsorship

The focus on cutting edge contemporary art stems from SIEMENS being electronics and engineering company with a classical focus on innovation. This innovative *raison d'être* may be represented in the arts program as well.

The main objectives of cultural sponsorship in SIEMENS are according to the interviewee:

1. Corporate cultural responsibility
2. The employee's motivation
3. The cultural connection to the Regions in which they operate.
4. To strengthen the arts tradition (For example the State's Bavarian Opera)

The Siemens Arts Program founded in 1987 is the main pillar of their cultural sponsorship activities. Their Arts Program team promotes contemporary art, informs and educates SIEMENS employees about new art forms, and advises other organizations on cultural sponsorship issues.

The arts program allows to actively shaping the relationship between the company and its environment, and therefore expresses corporate social responsibility. The focus on innovative contemporary arts makes it also possible to reflect developments in society.

The allocation of the sponsorship budget is in the cultural, sports and social arenas. There are no big sums. (See table in the next section). In culture the budget can be sometimes greater than in sports.

Besides sponsoring and supporting contemporary art, the Siemens Arts Program seeks to foster an interest in art among their employees.

The Siemens Arts Program seeks to share its experiences in cultural sponsorship with companies interested in supporting cultural activities. The Corporate Cultural Responsibility Project, a joint initiative launched by the Siemens Arts Program and the University of Witten/Herdecke in Germany (and presented on the webpage), raises questions regarding the background, merit and worth of corporations supporting art and culture. The project's goals are to encourage debate on this issue and to highlight practical strategies for engaging in cultural sponsorship.

Selection of the sponsorship objects

The Siemens Arts Program focused in four big areas regarding sponsorship objects. Working together with partners from the public sphere this promotional program is developing concepts for projects in the areas of:

- 1) Music
- 2) Visual arts(of high significance)
- 3) Performing arts
- 4) Cultural and technological history
- 5) Internal cultural communications

There are no differences between the treatments of the categories. All are important parts of the program.

The SIEMENS Arts Program searches to build bridges between culture, industry, and society to encourage the transfer of ideas.

Apart from deliberately commissioning compositions and productions, the centre of gravity in the field of music lies in the search for creative impulses and new work applications for composers and performers, as well as encouraging people to experiment with new and unusual ideas.

SIEMENS focus on innovation, so the SIEMENS Arts Program takes a progressive approach by primarily supporting projects and artists seeking to advance contemporary art and explore new arts forms. In year 2005 the SIEMENS Arts Program was equipped with € 1,875,000.00

Item/ Budget	2003 (In €)	2005 (In €)
Media an public relations	230,000	240,000
Employee programs	310,000	485,000
Contemporary and cultural history	220,000	245,000
Music	170,000	245,000
Performing Arts	310,000	240,000
Visual Arts	490,000	420,000
Total	1'730, 000	1'875, 000

Table 23: Cultural sponsorship budgets at Siemens Arts Program
Source: Siemens Corporate Citizenship reports. Author's own construction

There are a clearly differentiation between the Siemens AG sponsorship projects and the Siemens Arts Program.

SIEMENS commitment to supporting the arts is not entirely altruistic. Several examples highlight ways to create win-win situations that benefit both sides.

The Freiburg Baroque Orchestra in Germany performs modern music using traditional baroque instrumentation. The About Baroque project is a prime example of the kind of work carried out by the Siemens Arts Program. In association with the Freiburg Baroque Orchestra in Germany, the Program commissioned five young composers to produce works for an orchestra with late-Baroque instrumentation. What is unique about this particular assignment is that it frames modern music in historical practice. The works are to be premiered by the Freiburg Baroque Orchestra at the summer 2005 festival in Lucerne, Switzerland. The Siemens Arts Program thus represents an institutionalised research lab to test artistic forms of expression for questions of today's society. The search association with innovation and research is observed here regarding the image of the company.

The Munich Opera Festival opened on the year 2004 with a new Meistersinger production. The Bavarian State Opera acquired SIEMENS as main sponsor for the 2004 Festival premiere. A former chairman of the Siemens Board²¹³ argued: "How does something new come in the world? Here at SIEMENS we have been concerned with this fascinating question since the company was founded. Innovations are the elixir of life in our company. And this is why new productions are every bit as indispensable for the permanent creative further development of an opera house."

The General Director of the Bavarian State Opera²¹⁴ considered the partnership as a major highlight in their effort to involve private industry in the activities of the Opera House. He identified that both institutions have a great deal in common: both stand for *tradition and innovation*, both assume *top positions* in Germany, and both set standards for the *Munich site*. Again the image improvement in a regional area takes place.

Since 1995 SIEMENS has been one of the lead sponsors of the Salzburg Festival. Besides providing funding the regional company organizes the Siemens Festival nights, a series of open air broadcasts of operatic works with free admission for the general public. They also supply some of the technical equipment. In return, they are given first refusal on the purchase of tickets. They are also able to block-book a number of restaurants on the Festival campus at special rates.

²¹³ Interview to Heinrich von Pierer in <http://www.bayerische.staatsoper.de>

²¹⁴ Interview to the Director of the Bavarian State Opera Sir Peter Jonas in www.bayerische.staatsoper.de

Evaluation of sponsorship activities:

To examine the validity of its conclusions the company commissioned a market research study. The evaluation of the sponsorship activities is developed by the LMU University.

In the Siemens Arts Program there is no governing board or board of trustees. The program is entirely managed internally with no involvement of external agencies.

Once a year the planned program is presented to the Chief's Executive's Office. Since initiation of the program there has never been an intervention into the ideas or concepts developed by project leaders.

According to the interviewee main aspects regarding sponsorship evaluation are:

- 1) The press coverage
- 2) The presence on the cultural flyers.
- 3) The awareness can be tested
- 4) As well as the conspicuousness of the firm.

The "Siemens Arts Program" Logo placed on the cultural programs brings a direct benefit. The Siemens Arts Program is well known and famous, it is eminently respectable; this works as an indirect benefit. Siemens is seen as developer of the arts on the Region.

Culture has a changed economical thinking within the firm's communication. Besides the formal firm's profile (corporate identity) is appeared the so-called "corporate culture" regarding cultural sponsorship. The director of the Siemens Arts Program knows naturally about the image transfer from culture to the economic object. He argued, thus, the cultural engagement is worth for the future. Culture has a long last value. "The main benefit that culture brings is culture. This benefit may be not measurable but you can feel it" ²¹⁵

The last prospect of the Siemens Arts Program contains an interview regarding the reasons why corporations promote culture and referring to evaluation it is argued that: "When it comes to culture, there is no way of accurately checking profits or measuring efficiency". ²¹⁶.

²¹⁵ Quoted and translated after Michael Roßnagel interview for Schwaiger (forthcoming).

²¹⁶ See Ullrich (2005, p. 3) The Siemens Arts Program.

6. CULTURAL SPONSORSHIP IN PERU.

The last chapter discussed cultural sponsorship in Germany. To maintain the same structure as the fifth chapter the discussion in this chapter begins with the Peruvian cultural policy, follow the possibilities for cultural sponsorship in Peru that includes a discussion of the cultural audience and ends with the interviews to the General Managers of AUDI and SIEMENS in Peru.

6.1 Peruvian cultural policy

In the earliest days of the republic, the action of the State in the field of culture was channelled through various bodies, especially the Ministry of Education and its predecessors. Cultural promotion, however, received constant support from local authorities, which have traditionally played a prominent role in leading community action. In the 1940s, the Directorate of Cultural and Artistic Extension of the Ministry of Education took official steps to focus systematic attention on the problems of culture. In 1962, the Peruvian House of Culture was established, on the basis of the directorate.

The National Institute of Culture was founded at the end of 1968.²¹⁷ The pressing need for the House of Culture, which at that time had limited responsibilities, resources and influence, was transformed into a new body with sufficient administrative autonomy and the economic capacity to be fully effective in carrying out the tasks of restoring culture to its proper position and promoting, disseminating and democratizing it. So it was that, by Organic Law No. 18799, of the Education Sector, the National Institute of Culture was set up as a public, decentralized body under that sector. Subsequently, Law No. 19268, of 11 January 1972, established the organic structure and defined the aims and objectives of the institute, and from that time onward it took over the responsibilities, resources and property of the Peruvian House of Culture and of the cultural centres in all the provinces.

The work of the institute of culture covers four areas: 1) cultural promotion, 2) cultural activities, 3) conservation of national monuments and the cultural heritage, and 4) artistic training.

- One fundamental task of *cultural promotion* is the reinstatement of the artistic values, which make Peruvian national identity what it is, as these are revealed in music, dancing, the plastic arts, and traditional literature and drama. Since these values constitute an important aspect of Peruvian national identity, cultural promotion should

²¹⁷ For more information see the web page <http://inc.perucultural.org.pe/>

give them new life, encouraging an attitude among the people, which will prevent such values from suffering loss.

- In *cultural activities* - for which there are six artistic groups,²¹⁸ a publishing house and a body organized on business lines- an attempt is being made to infuse new life into traditional movements and to give fresh significance to the dissemination of national and universal cultural values.

The fundamental objectives are to disseminate literary, musical, dramatic and choreographic works by the major writers and artists and to rescue from oblivion works of folklore, music and craft belonging to Peruvian own cultural heritage.

- The protection of historical and artistic monuments, in all their forms-the works of man or those of nature-is obviously one aspect of the *preservation of the national heritage*. The conservation of archaeological monuments, at the present time, especially the most impressive-in the case of Peru, the cities of Machu Picchu, Chanchán, Pajatén, Chavín and many others-calls not only for scientific research in order to gain knowledge of them, but also for research into the best way of conserving them. This should consist in evolving techniques for the conservation of adobe buildings so that they may even be transported to a different site where it will be possible to conserve them more effectively, techniques for conserving stone buildings, for controlling the processes of salinization and destruction by animal life (hemipterous insects, beetles, spiders, birds, termites, sparrows, swallows and oven-birds) and even the industrial pollution of the atmosphere. Whatever the nature of a historical monument or a work of art, it represents values, which are at once cultural, aesthetic and economic. The national library as well as the many museums extended all over the country contributes to the research and preservation of the Peruvian heritage.

- Artistic schools have traditionally offered *training* in five branches of art: drama, folklore, fine arts (plastic arts), ballet and music.

The traditional means of exhibiting and selling works of art (galleries, museums, concert halls and theatres) and the mass media (radio, television and record companies) offer the opportunity for artists to work.

²¹⁸ On figure 14 the cultural audience for the artistic groups are detailed from 1981 to 2004. The groups are the National Symphony Orchestra, the National Choir, the National Popular Theatre, the National Ballet, the National Modern Ballet and the Folklore Institute. The information about the three last groups is aggregate.

Year	Total	National Symphony Orchestra	National Choir	National Popular Theatre	National Ballet and Folklore Institute	Other
1981	246,6	28,8	50,0	0,0	124,8	43,0
1982	229,7	16,7	31,5	1,0	168,3	12,2
1983	216,6	55,0	5,9	25,0	130,7	0,0
1984	141,5	19,2	0,0	33,8	32,5	56,0
1985	176,5	57,1	0,0	0,0	70,7	48,7
1986	133,2	49,1	0,0	0,0	35,5	48,6
1987	175,8	31,9	8,1	40,8	50,4	44,6
1988	120,3	23,5	1,8	31,0	30,0	34,0
1989	92,2	29,5	13,3	3,3	27,2	18,9
1990	66,0	32,8	11,3	2,6	6,0	13,3
1991	63,9	31,6	11,5	2,7	5,3	12,8
1992	59,6	34,8	5,8	3,3	1,7	14,0
1993	66,9	36,0	7,0	3,9	5,6	14,4
1994	68,7	36,0	5,1	23,4	4,2	0,0
1995	133,4	42,8	54,7	12,3	23,6	0,0
1996	114,6	51,5	25,7	12,2	25,2	0,0
1997	217,3	67,8	66,1	19,2	64,2	0,0
1998	120,0	29,0	35,3	34,1	21,6	0,0
1999	203,6	70,3	80,3	12,1	40,9	0,0
2000	91,9	32,1	34,5	7,8	17,5	0,0
2001	91,1	31,2	32,8	0,0	27,1	0,0
2002	101,3	36,3	37,1	0,0	27,9	0,0
2003	96,0	32,6	50,7	0,0	12,7	0,0
2004	111,0	48,3	24,5	0,0	38,2	0,0

Figure 17: Assistance to cultural spectacles in Lima - Peru.
Source: Instituto Nacional de Cultura Report 2005. In thousands

6.2 Peruvian cultural sponsorship. Possibilities

In the last years the private financing of the cultural sector is increased in Peru; different reasons can be argued to explain the increasing presence of the private firms, for instance the traditional reason to project a positive image on the social environment, so financing cultural activities are sometimes consider rather as an inversion than as a cost. On the other hand, little by little, there appear direct relationships between the objectives and functions of a company and the cultural activities they finance. For example the diffusion of texts or books from general cultural interest together with a productive activity in a editorial house, or the technological support to research or restoration together with commercial high-tech services.

Whatever the reasons or circumstances, the private enterprises in Peru have begun to apply some resources to the cultural promotion, although they don't have concrete and solid advantages in the taxation field. In the cultural sector, the institutions that have some relationship to the interests of the promoter firms can profit from this. However, other cultural areas less "visible" or smaller don't have access to the benefits of these investments.

It is impossible at this time to quantify the private investment in the cultural sector for three main reasons:

- The information is disperse in many budgets,
- The information it is not specifically registered, or considered in general items,
- The information is considered in a mechanism like a foundation or patronage, used to facilitate the investments.

Nevertheless, in a basic list of the main private contributors to the cultural sector the following firms can be mentioned: Telefónica del Perú S.A., Banco de Crédito del Perú, Southern Perú Copper Corporation, Banco Wiese Sudameris, Banco Continental, Unión de Cervecerías Peruanas Backus y Johnston, Bellsouth Perú, Corporación Financiera de Desarrollo, among others.

Historically donors have supported arts sectors (such as music, dance, and drama) or institutions (such as museums, theatres, and ballet companies) without aiming for specific audience participation goals.

Cultural audience

Peruvians spent 0.61% of their income in cultural products as can be seen in figure 15. This quantity seems low but it is consistent with other countries spent where the effect of a better income causes a bigger spent.

This position is caused by several reasons like the cultural products access, the levels of income or the market's freedom of these products. It is important to clarify that this Peruvian result is a national average and has not been static in the time.

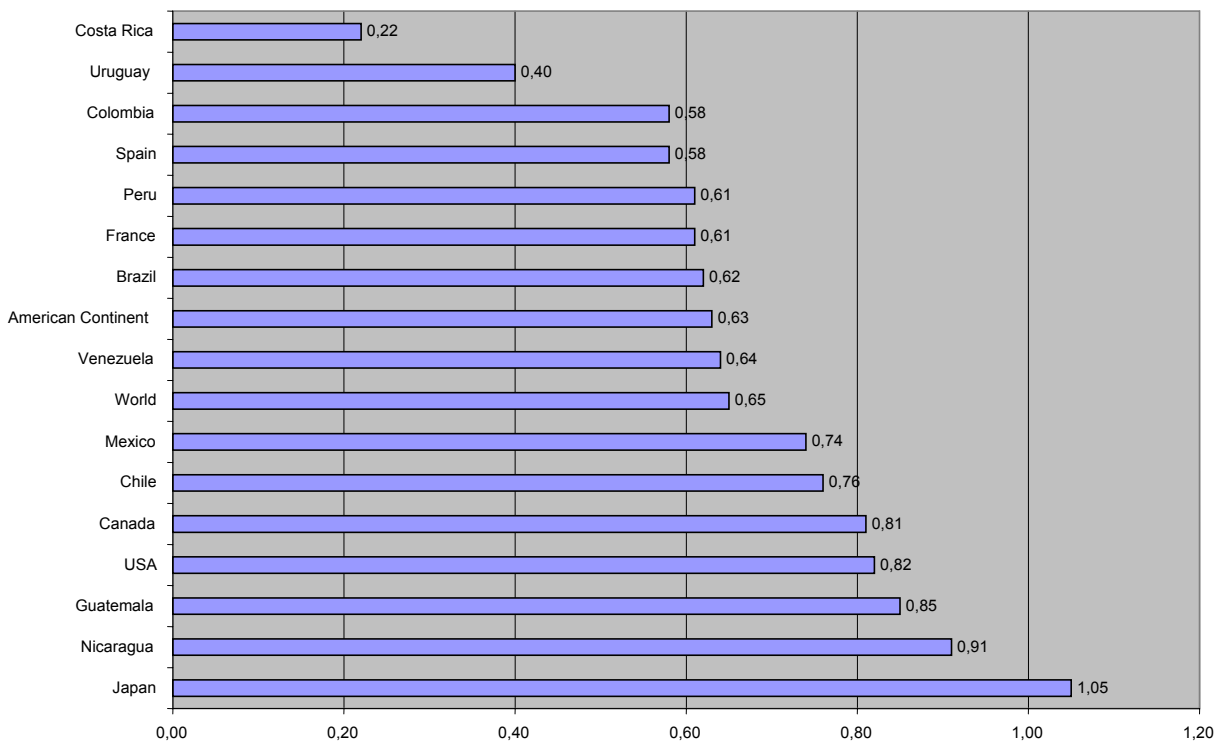


Figure 18: Cultural consumption on the World as an average income percentage.
Source: Herrera (2004) Cultural Potential Consumption in America 2001 - 2005

In a conversation with the Director of the “Opera Friends Association” in Lima²¹⁹ he commented that participation in the arts implied creating, witnessing, preserving and supporting artistic expressions. Everything from attending a theatre show to playing a violoncello solo with the local orchestra to reading literature to visiting a museum can

²¹⁹ The Director of the Opera Friends Association (Pro Lirica) in Lima is Guillermo Castillo. The conversation took place in the year 2002 as the researcher was looking for the doctoral theme.

count as cultural participation. A research²²⁰ recommended by him regarding this issue at an international level presented relevant information about how and why people participate in arts activities that has important implications for culture providers and supporters among others. The key findings of this study are:

- People participate in arts at much higher rates than have been previously measured when a broader definition of participation is used. This is true for people with low incomes and less than college education as well for groups with more advantages.
- Frequent participants in arts also tend to be very active in civic, religious, and political activities, and this is true at every income level.
- Early socialization experiences make a difference in the cultural participation patterns of adults, regardless of income and education.
- Most people who participate in arts are involved in activities that cover “classical” and “popular” forms, as these categories have been typically understood.
- People are more likely to attend cultural events at community locations than at specialized cultural venues.
- People’s motivations for participation in culture suggest strong links with other aspects of community life.

The cultural audience as interpreted here, in the German and Peruvian cases, is based in individual factors and community factors that form the individual participation choice.²²¹ So, individual factors are based on motivations and resources. The community factors are based on paths of engagement and structure of opportunity.

Motivations on the one hand are beliefs, values, and interests that animate people to participate in a cultural activity. These cover a broad range of social, artistic and civic reasons people have to enjoy cultural programs. Resources, on the other hand, include time, money, and participation skills, like awareness of opportunities and knowledge of the believed cultural form.

Paths of engagement are the ways that individuals become connected to, or engaged with participation opportunities. Many people become involved in arts through their

²²⁰ See Walker et al. (2000, p.7)

²²¹ See Walker (2002, p.15)

relationships,²²² which may include family and social ties or business and professional relationships. These paths could include belonging to organizations that sponsors cultural activities.²²³ The structure of opportunity consists on the programs and events available in a community that match the interests of potential participants and are perceived as accessible by the potential participants. The diversity, quality, and accessibility of cultural activities and events are also relevant aspects of the structure of opportunity. Opera performed in a park or opera in the opera house are examples of the same event occurring in different venues that may appeal to different individuals.

Following the same analysis as in the case of the German consumers, the Sinus Milieu approach²²⁴ is also used in order to have a broad idea of the Peruvian consumer. The table 22 shows the classification.

- 1) The conservatives (19.5%): women to which house and family constitute the focus of their lives. They owned a hierarchical vision of familiar relationships. Their interests are narrow centred on familiar activities, confined to their own homes.
- 2) The progressives (30%): the young people who migrate from the provinces to the capital and that adapted the urban customs and sites. Proactive and success-oriented. They are a homogeneous group with the best economic perspectives. Their interests regarding free time activities are sports, videos, cinema and *popular music*.
- 3) The survivors (10.5%): the old people whose main orientation is to generate some money in order to maintain their families because their pensions²²⁵ are too low. Their interests are narrow in concordance to their low budgets.
- 4) The lucky-ones (11.3%): mainly single people interested in personal development and a successful future. They search for differentiate themselves from the other groups and enjoy social relationships and power. Their interests regarding free time activities are prestige consumption, travels, *music and arts, specific films and books*.
- 5) The adapted (9.9%): people oriented to have an untroubled life. They are sometimes intolerants due to their orientation to order. Mainly bureaucrats. Their interests are narrow focus on familiar and group activities.

²²² As in the case of the hedonists in Peru referred in the next pages.

²²³ As in the case of German regional and communal organizations (“Vereins”)

²²⁴ See Arellano (2004, p. 111)

²²⁵ This category can be described as what the German called the “Rentners”. (pensioners)

- 6) The traditionalists (4%): Andean men that compete to achieve a place in the cities, but maintaining their Andean identity. They preserve their traditions. According to their way of thinking the women have a secondary role in the society. Their interests are sports, bars and folklore.
- 7) The workers (9.7%): women whose lives are oriented to achieve personal and familiar success. Home is not the only space to develop. They work outer house. Higher education levels as the conservatives. Their interests are in prestige-consumption, travels, cinema, and music as family activities.
- 8) The entrepreneurs (2.4%): Mainly men oriented to generate new business. Independents and success and status-oriented. They imitate the patrons of consumption of the lucky-ones.
- 9) The hedonists (2.7%): the old people whose lives are oriented to social relationships. They enjoy the pleasures of life. Their interests are prestige consumption and activities where “all Lima”²²⁶ is present.

Segments	Percentage (%)
Conservatives	19.5
Progressives	30.0
Survivors	10.5
Lucky –Ones	11.3
Adapted	9.9
Traditionalists	4.0
Workers	9.7
Entrepreneurs	2.4
Hedonists	2.7
Total	100.00

Table 24: Sinus- Milieu in Peru Source: Based on Arellano (2004)

As stated before the cultural audience can thus be regarded in a broader approach; the groups with interests in fine arts related activities are mainly the lucky-ones, the workers, the entrepreneurs, and the hedonists and in popular arts the progressives as well.

6.3 Peruvian subsidiaries.

Two interviews took place in Lima: the first with the General Manager of AUDI Zentrum and the second with the General Manager of SIEMENS SAC. The same interview protocol as in Germany was presented; nevertheless the conversation focused on the philosophy and culture of the firms, as well as their expectations for the promotion of culture, because cultural sponsorship is not applied (yet) in Peru.

6.3.1 AUDI Zentrum

Euromotors S.A. is part of the Von Wiedemeyer Group. They represent Volkswagen, Audi, Porsche, Seat, and have a share option in Modasa.²²⁷ The Von Wiedemeyer Group is also owner of a brewery in the South of Peru. AUDI Zentrum in Lima – Peru is the organization to analyse.

The interviewee was the General Manager of AUDI Zentrum²²⁸ in Peru. According to the manager the philosophy and culture of AUDI is to be the ones who better know, anticipate and satisfy the needs of their customers.

The main values of AUDI are: 1) Employee's welfare, 2) Transparency, 3) Enthusiasm, and 4) Listening to the people. He mentioned that the personnel rotation is low in the company.

Commenting about the general philosophy of the Peruvian firms there are two differentiated groups he refers: the "mercantilists" that gained influence in the last government periods (mentioned the two last Presidents Paniagua and Toledo) and the "competitors" meaning the ones who are interested in compete in the market. The managerial associations are not bound but there is a spirit to be efficient and to search results not only in a local market but also in an international market. Some examples are Bellcorp (Belmont Group), Kola Real (Ananos Group) and Gloria (Rodriguez Banda Group).

The firm is engaged since a long time in promoting the education. For instance they financed the "Instituto del Sur" since its very beginning and participated in its transformation into the "Universidad San Pablo." The University received two locals, one of the brewery and another²²⁹ that the company buy for them.

²²⁶ The expression "All Lima" is used in Peru regarding that the "who is who" of the capital assist to an specific event particularly an arts event.

²²⁷ MODASA is a firm that commercializes heavy machinery.

²²⁸ The General Manager of AUDI Zentrum is Francisco García Calderón.

²²⁹ The first local was the former location of the brewery „Cervesur“ and the second local was the former Hotel Marrito, both in Arequipa the second place in importance in Peru, after Lima the capital.

Nevertheless they didn't inform the media about these activities because they believe "this is a principles issue"; the receiver of the financing should public the promotion. In a brand level they promote the Opera in Lima (Pro Lirica). They invest from 5-10% of the utilities in supporting the education, as said because they considered this a principles issue. In the field of education they have an established program.

In the brand promotion activities the program depends on the event. The activities are organized by the managers and brand managers. When they support activities related to the brand the investment depend from the event; there they pretend to associate a brand with a market segment applying event marketing.²³⁰ During the "Arts week" from 9 -14 Mai 2005 in Lima AUDI exhibits their "master works" (cars) in galleries, museums and arts spaces where the artistic activities take place. So during this week the audience could see the different AUDI models. As commented by the manager the main interest was for the AUDI A6.

The cultural audience in Lima could enjoy and connect the creativity of Peruvian artists in galleries, museums and arts spaces besides the AUDI cars. The official inauguration took place in Lima's Cathedral. Then a concert of the National Symphonic Orchestra directed by the Maestro Wilfredo Tarazona was the high point of the event. The public enjoy the "Galleries Nights" and arts conferences on each commune. There were guided visits through the cultural circuits in Lima, tours in arts galleries, conference cycles, films, concerts and "live" musical groups. Before the "Arts week" had an end "The Benefice Night" took place. (La Rosa de Lima) The last mentioned event was a bid to benefit the "Instituto Nacional de Enfermedades Neoplásicas de Perú."²³¹

The link between business and arts is seen as a philanthropic activity. The concept of cultural sponsorship is not applied in this subsidiary. As last comment there are no tax deductions for donations since the year 2002. Nevertheless the firm does participate in several charitable activities at the time. The taxation system in Peru should be modified in order not only to support engaged firms but also in order to gain private support to the arts especially in the heritage protection field.

²³⁰ Event marketing is the promotion of an event: promotional activities involving an event such as a sporting or social event, designed to bring a product to the attention of the public. Source: Encarta Enciclopedia 2005

²³¹ The Institute is dedicated to research and treatment of cancer.

6.3.2 SIEMENS SAC

SIEMENS SAC is a firm in Peru that provides leading edge solutions in information and communications, automation and control, power, transportation, medical and lighting. The interviewee was the General Manager in SIEMENS in Lima.²³²

The principles of SIEMENS are adopted in all the subsidiaries. These principles are based on customers, innovation, people, responsibility and value.

- They strengthen their customers to keep them competitive. That means their success depends on the success of their customers. They provide their customers with comprehensive experience and solutions so they can achieve their objectives fast and effectively.

- They push innovation - to shape the future. He said innovation is their lifeblood, around the clock and around the globe- Lima is no the exception- and that, they turn their people's imagination and best practices into successful technologies and products. Creativity and experience keep them this way at the cutting edge.

- They empower their people to achieve world-class performance. Their employees are the key to success. They work together as a global network of knowledge and learning. Their corporate culture is defined by diversity, by open dialogue and mutual respect, and by clear goals and decisive leadership.

- They embrace corporate responsibility to advance society. Their ideas, technologies and activities help create a “better world”. They are committed to universal values, good corporate citizenship and a healthy environment.

SIEMENS SAC supports education activities in Lima. Fifteen students from the UNI (National Engineering University) become accommodation- transportation costs, English courses, and vocational practices. One of the fifteen students obtains a practice in Germany and when he or she comes back to Peru they can work in the firm. From these students two thirds are male and one third is female.

- They enhance company value to open new opportunities. The corporation generate profitable growth to ensure sustainable success; they leverage their portfolio, business experience and synergies across all segments and regions.

Talking about the philosophy of Peruvian business people the interviewee argues that they don't believe in their own country. He told an interesting anecdote explaining this issue:

²³² The General Manager of SIEMENS SAC in Lima is Guillermo Velez.

“We have created a Contact Centre (call centre) and there we sell credit cards, long distance cards from Americatel and others. We employ 700 persons with an expectation to grow until 900. Well, at the first stage, when we were still formalizing the acceptance of the project the President of Siemens AG (Germany) come to visit to the subsidiary. During his trip to Lima he was seated next to a Peruvian that had tried to convince the German manager that Peru was the worst place for his investment. After this incident I have brought two days to convince the German colleague of the contrary!”

Peru is a land of multiple possibilities where everything is to be made, he argued. Cultural sponsorship (the researcher explain the Peruvian manager that concept applied in German firms) is not applied in Lima, but it seems to be an innovative tool in order to improve not only the communication mix in the company but also the cultural development of the country.

About the cultural engagement, the firm do support some artistic activities in Peru. SIEMENS SAC supports the Opera²³³ and the National Ballet in Lima. They developed these contributions as a part of the corporate communication and image plan.

SIEMENS supports educational activities in Lima with the objective to obtain a positive image, and they have established a long-term plan in order to improve the content of the activities. These activities have a relationship with innovation. For example, they finance the trips from Peruvian university professors²³⁴ abroad so they can deepen their knowledge in technologies of their interest. Another example is that they offered grants to obtain an MBA degree in the “Universidad ESAN”.

In their future plans there is considered the donation of an intelligent building to the “Universidad Ricardo Palma.”

The persons who administrate this activities or programs are related to the corporate communication and reported direct to the General Manager. They have difficulties to communicate this kind of activities in the media because they are not considered as “news”. Sometimes, he argued, they attend to long interviews related to these issues and in the newspaper or magazine appeared a very short comment in the “economic news”.

²³³ The support is to “Pro-Lirica” the Peruvian association formed by the “Friends of the Opera”

7. DISCUSSION OF THE IMPLEMENTATION OF THE GERMAN CULTURAL SPONSORSHIP MODEL IN PERU

The section 5.3 presented the collected empirical data for the discussion. In this chapter the empirical data is analyzed and compared with the own frameworks developed on section 4.3, in order to determine success factors to be applied in the chosen firms in Peru. This strategy is referred in the methodological chapter as a pattern matching. Some similarities as well as differences between theory and the collected data will be discussed. Before entering into the mentioned topics, there is a brief discussion of the international transfer of firm's management practices.

There are opposing points of views regarding the transferability of management practices between firms in different countries. The "culturalist" school, on the one hand, emphasizes country of origin and argues that it would be difficult, if not impossible, to transfer management practices because of major cultural differences.²³⁵ According to this view, although several products and services are common across different countries and regions they still mean different things in different countries or regions. The "rationalist" school, on the other hand, emphasizes that management practices are rational responses to factors such as degree of competitiveness, industrial development or technological level. Therefore, conditions determine what management practices will be used, not geographic location. Viewed from this perspective, the concept of business environment as a more cosmopolitan influence suggests movement toward homogeneity among societies.²³⁶

The culturalist view is sensitive to cultural differences among countries and regions; it does ignore the role played by globalization of business in the meaning of management practices becoming more and more similar across firms and countries. In the same way, the rationalistic view neglects considering country of origin, emphasizing economic and technological factors.²³⁷ Nevertheless the reconciliation between the culturalist and the

²³⁴ Universities are UNI (early mentioned) and "Universidad Ricardo Palma". These universities have electronic- and mechanic engineering faculties, for example.

²³⁵ See Beechler and Yang (1994, p. 467)

²³⁶ See Ralston et al. (1997, p.177)

²³⁷ See Yavas (2004, p. 45)

rationalist point of views can be found reviewing the numerous empirical investigations that have been conducted following Hofstede's classic study.²³⁸

Finally, for the purpose of exploring international transferability of managerial practices there are two main characteristics: the first distinction is between the different *levels* at which the practices are identified or defined and the second distinction is between the practices in *domestic* competition and the practices in *international* competition.²³⁹

What should be transferred depends on what would give the firm an edge given the conditions and circumstances in the target country, while what can be transferred is determined by what characteristics there are at home at the level of the firm, industry or country.²⁴⁰ Which are the conditions and circumstances in Germany and in Peru for the transferability of cultural sponsorship?

The table below summarizes the conditions:

Conditions	Germany	Peru
Cultural policy: National conditions in the country or region for cultural sponsorship	<p>Political and federal activities that support the promotion and conservation of cultural goods.</p> <p>A wide cultural concept that considers different cultural forms and providers.</p> <p>Base for institutional cultural work.</p> <p>Base for reflection in an aesthetical dimension.</p> <p>High measure of common views developed over the cultural promotion.</p>	<p>Local activities managed by the National Institute of Culture.</p> <p>The body with sufficient administrative autonomy and the capacity to be effective in carrying out the tasks of restoring culture to its proper position and promoting, disseminating and democratizing it.</p> <p>Covers the areas for cultural promotion, cultural activities, conservation of national monuments and the cultural heritage and artistic training.</p>
Cultural sponsorship: Motivations	Co-action among cultural society,	Support to the arts as

²³⁸ Yava et al. (2004, p. 46) cited the following studies Beechler and Yang (1993), Bryman et al. (1982), Daniel and Reitsperger (1994), Dilber (1981), Gibson (1995), Gibson and Marcolides (1995), Jenner (1982), Misumi (1985), Offermann and Hellmann (1997), Pavet et Whitman (1998), Yavas and Burrows (1994). The Hofstede's classic study (1980) refers that it is possible to classify work-related values into four dimensions: individualism versus collectivism, power distance, uncertainty avoidance, and masculinity versus femininity.

²³⁹ See Hu (1995, p. 73-78)

²⁴⁰ See Hu (1995, p. 80)

<p>in private firms to engage in cultural sponsorship</p>	<p>private and public sector. Well -established tool. Widely applied in all branches not only in culture but also in sports and other activities.</p> <p>Motivation: Low budgets, long-term goals. Sustainability is the rationale behind. Sponsorship is deductible as a cost of doing business The association “Arbeitskreis Kultursponsoring” is a network to link corporate cultural sponsors with sponsoring receivers.</p>	<p>philanthropic actions. In the case of Peru the support should combine educational activities and cultural activities.</p> <p><i>“In a land of multiple possibilities everything is to be made”</i> Need for a dialog with government representatives in order to regulate the support process. The conservation and preservation of monuments -is in this country with a millenary history- an interesting field to develop. The concept of sustainability should be involved</p>
<p>Cultural audience as target groups</p>	<p>Cultural sponsorship considers as activities not only the high arts but also the popular arts. So the cultural audience is broader by definition. The Sinus Milieu approach regards interests from the different groups defined including cultural interests. Regarding the firms motivations the specific “target group - cultural activity” association is chosen. Consumers in Germany have a positive image of cultural sponsorship in contrast to advertising.</p>	<p>Cultural audience is also divided in people interested in high arts and in popular arts. The Sinus Milieu approach is widely used in Peru because it offers an accurate approach of consumers. The association between the target group and the cultural activity should be considered regarding product- and service type.</p>

Table 25: Conditions and circumstances for cultural sponsorship’s transferability
Source: Author’s own construction

The German managerial practices regarding cultural sponsorship are commented in the following pages defining issues to be transferred to Peruvian subsidiaries.

Objectives setting for cultural sponsorship

As stated in chapter 5 different authors within the field of sponsorship mention several suggestions of objectives setting. The own framework matches the theoretical approaches with the specific type of sponsorship: cultural sponsorship.

The comparison to AUDI and SIEMENS objectives in cultural sponsorship and the objectives stated in the theoretical framework are summarized in table 24.

Theoretical framework Objective setting	Objectives in AUDI	Objectives in SIEMENS
Increasing awareness/recognition of corporate brand	<u>First line:</u> Promote a certain image Foster associations Gain media exposure <u>Second line:</u> Relationship building Enhance the effect of other promotional activities Increase profitability	<u>First line:</u> The cultural connection to the region they operate Foster associations Employee motivation
Enhancing corporate or brand image		
Creating goodwill		
Management interests		
Fostering favourable corporate and brand associations		
Improving relationships		
Gaining exposure/publicity		
Employee motivation		
Staff recruitment		
Improving profitability		
Creating entertainment opportunities		

Table 26: Comparison of cultural sponsorship’s objectives settings: Firms and theoretical framework
Source: Author’s own construction

AUDI’s main objectives with sponsorship are to promote a specific image to their publics (audiences), to foster associations, and to gain media exposure/publicity.

- They want to correlate, for example the image of the “Ring of Nibelung” to the four rings in their emblem. An exhibition in an arts museum is a means to foster association of the car as an arts work.

- Another objective in AUDI is to gain media exposure for their brand. This corresponds to several authors’ statements regarding media exposure or publicity as one of the relevant and main objectives for companies to engage into a sponsorship activity.²⁴¹

In a second line, objectives like relationship building, enhancing the effect of other promotional activities, and increasing profitability are also relevant in AUDI. Cultural sponsorship could serve as a foundation for other promotional activities around the Bavarian State Opera for example. It can be used as a theme in printed advertising as well as in their broadcast advertising, among others. This concept is not previously mentioned in previous sponsorship literature.

The other objectives in the own theoretical framework like increasing awareness or recognition of a brand, creating goodwill, management interests, employee’s motivation, staff recruitment, and creation of entertainment opportunities are not on the front line of the sponsorship objective setting decisions in AUDI.

SIEMENS main objectives are the connection to the region they operate, fostering associations and employee motivation. The company actively shape the relationship between the company and its environment; test artistic forms of expression for questions of today’s society. Examples of the mentioned relationship are exhibitions co- curated with established German arts institutions. The artists stay in residences at SIEMENS plants and the “Kulturzeiten” are arts events for employees including education programs.

Looking for similarities in both firms the objectives are *long-term oriented*, the concept of sustainability is implied. Both companies have specific cultural programs, the AUDI Art Experience and the SIEMENS Arts Program correspondingly. Although improving profitability is an obvious expectation in all-promotional activities – this objective is not taken in consideration in the short run. Cultural sponsorship as a tool in the marketing mix should have a long-run expected effect.²⁴² In terms of sustainability the trend towards self-initiated projects lead to more long-term and in-depth relationships.

²⁴¹ Cornwell and Maignan (1998) discussed the theme in a broad literature review.

²⁴² See Thompson (2005, p. 10)

The objectives are well designed in relationship to the *brand* and image to be projected. The initiatives of SIEMENS AG hardly support existing projects at all. The Siemens Art Program as a “research lab” for new artistic expression, by definition needs to create these new expressions itself. Innovation is a main concept associated to the arts program. AUDI associates the brand with cultural activities which images are innovation- and success-oriented. *Association* with successful arts activities can create the similar image of the company or brand on the public. Companies involved in sponsorship activities hope that the positive attributes of the sponsored object will “rub off” to the company or brand.²⁴³

Building relationships is a strategy focused on dealers or sellers. So the latter are invited to cultural activities. *Relationship building* with customers, dealers, employees, and the community is an issue that sponsorship activities might foster.²⁴⁴

Regional involvement is also present in both companies. The interest group in this involvement is the federation, state, or commune. Here appears a political contact to the sponsored region. Customers are not only the citizens but also the federation, state or commune itself.

Selection of the sponsorship object

As stated in chapter 5 different authors within the field of sponsorship mention several suggestions of selection of the sponsorship object. The own framework matches the theoretical approaches with the specific type of sponsorship: cultural sponsorship. The comparison to AUDI and SIEMENS selection process in cultural sponsorship and the selection process stated in the own theoretical framework are summarized in table 25.

The selection process of sponsorship objects in AUDI according to different sources begins with the evaluation of brand/product to promote. With this promotion concept in mind the next step is to determine the target group to be reached considering the group’s desires and needs. The third step according to the empirical data in AUDI is to establish the desired image for the brand/product, so the “natural” next step is to find put a cultural activity or event that matches the searched image.

The Bavarian State Opera, the Salzburg Festivals, the Schleswig-Holstein Music Festival, the Handel Festival in Halle, among others are examples of sponsorship-selected objects with a regional component, with an important name in their field and

²⁴³ For a detailed explanation see Jober (2001)

²⁴⁴ See Dolphin (2003, p. 181)

with successful results. So the theoretical framework matches in a thematic way with the empirical data, but doesn't match regarding the proposed sequence. AUDI is aware of the importance of sponsoring successful events because this attracts more media coverage than an unknown one.

Theoretical framework (Sequential process)	Linking special topics	Selection process in AUDI	Selection process in SIEMENS
Determine the image of the brand/company.	Communication objectives Target market	Evaluate the brand/models to promote.	Initiation of a project mainly associated to an innovation issue. (company association) ²⁴⁵
Matching the company image with a cultural activity or event.	Promotional opportunities Costs	Determine the target group by identifying their needs, desires and interests.	Conception of the project with partners.
Choose the specific cultural activity or event.		Establish the desired image for the car brand/model	Decision of the individual project or long-term commitment
Consumer evaluation of possible different associations between brand/company and cultural activity or cultural event		Choose an artistic activity that matches the image of AUDI and catches the interest of the target group.	Realization of the cultural project.

Table 27: Comparison of cultural sponsorship's selection processes: Firms and theoretical framework
Source: Authors own construction

According to different information sources like cultural flyers, cultural magazines, cultural events itself, etc., AUDI's competitors do participate in cultural sponsorship too. Therefore it is important to the company not to get involved in a sponsorship activity where a main competitor has been (or currently is) a sponsor. It could be probably take a long time to be identified with the current activity. A relevant aspect for AUDI is what the sponsorship investment will generate, taken in consideration that all firms end

objective is to increase sells -in this case in a consumer goods firm in the automobile branch the end objective is to sell more cars.

The selection process of the cultural object in SIEMENS begins making the decision about a self initiated project mainly associated to an innovation issue. That is an innovation-oriented cultural promotion as experiment.

The conception of the projects in SIEMENS is realized with partners. The focus is in new concepts regarding contemporary expression of art. The cultural projects are developed mainly with public institutions. So by the selection of the sponsorship object the relationship building to local personalities can also take place. There is no continuous support of individual artists, and no external projects are funded.

In SIEMENS the work with partners is project related and depends on themes. There is no policy as to how long to engage with one partner, but in general diversity is necessary not to be associated with only one institution. Some examples are:

- Siemens Arts Program and Deichtorhallen Hamburg (2002): “Art and Economy” exhibition, research and catalogue around the topic of business in the arts and business support of the arts.
- Siemens Arts Program and Schirn Kunsthalle Frankfurt (2003): “At Your Own Risk” installations for risk takers; exhibition and catalogue.
- Siemens Arts Program and Akademie der Bildenden Kunst München (2003): Conference on the role of Munich in the contemporary visual arts scene
- Siemens Arts Program and Münchener Biennale. „Orpheus Kristall – Opera in two media“ - opera commission for Internet and stage performance.

The third step in SIEMENS is the decision-making about of the support of individual projects or long-term commitment. This decision includes not only famous contemporary artists but also young “newcomers” in the artistic arena. For example in *KunstPraxis* “Arts Practice” – twice a year a young artist is commissioned to create a work of art in or around the medical surgery at Siemens headquarters in Munich. The realization of the cultural projects closes the sequence.

These sequences contradict the one mentioned in the theoretical framework where the first and second steps are to determine the image of the brand/company, and to match

²⁴⁵ SIEMENS don't sponsor external initiated projects.

the company's image with the cultural activity. Nevertheless regarding the linking special topics -considered also in the own theoretical framework- *promotional opportunities and target markets are putting together.*²⁴⁶

Researchers argue that the company's image should match the image of the sponsorship activity (in this case a cultural sponsorship activity) in order to get a clear connection between the characteristics of the activity/event and the characteristics of the company's profile.²⁴⁷

Theoretical research emphasizes the communication of a *desirable image as a major factor* to influence the decision on which sponsorship form to participate²⁴⁸ as well as the relevance of evaluating promotional aspects of sponsorship such as publicity opportunities.²⁴⁹ A successful and famous event gives positive associations. So the logic behind this argument in the results of the case studies is that a successful cultural activity can "rub off" on the company's image as a success image.

The *cost* of a sponsorship activity, especially of a cultural activity must be seen in a *long-term perspective* since not everyone in the different target groups will purchase a car in the near future or acquire an electronic or communication solution as well. The importance of examining the cost of a sponsorship activity is stated in the theoretical framework.²⁵⁰

Evaluation of sponsorship activities

AUDI employs a specialized agency to develop the evaluation of their sponsorship activities. However the result's evaluation is managed by AUDI itself.

Comparing to the evaluating process sequence defined in the theoretical framework AUDI shows many similarities (See table 26)

Before deciding on a certain sponsorship activity AUDI determines what image they want to promote to a specific target group for a determined brand/product. When the appropriate image is established the company looks for suitable sponsorship activities. Since AUDI is constantly measuring the awareness and perceptions about the company among the different target groups, they have a knowledge regarding the "pre-

²⁴⁶ For a detailed explanation see Chadwick and Thwaites (2004)

²⁴⁷ See Meenaghan (1991, p.6)

²⁴⁸ For a detailed explanation see Jobber (2001)

²⁴⁹ See Cornwell and Maignan (1998, p. 11-12)

sponsorship” phase in the evaluation process. AUDI has different objectives depending on the target groups and these are stated before the sponsorship activities are launched. Corresponding to the third step in the theoretical framework they also measure the attitude change in target groups by means of surveys, focus groups, or interviews. The last step stated in the theoretical approach is also followed because they constantly compare the evaluated results with the established objectives.

Theoretical framework: Sequential process	Linking special topics	Evaluation process in AUDI	Evaluation process in SIEMENS
Determination of the current brand position in terms of sponsorship awareness and image on the target audience. (“Pre-sponsorship”)	Tracking measures (Cornwell and Maignan, 1998) Communication effectiveness (Meenaghan, 1983)	Determination of the current brand position in terms of sponsorship image on the target audience.	Association at a regional level. (Customers of SIEMENS are the communes and regions besides the private consumers)
The setting of sponsorship objectives. Related to the previous managerial aspects of sponsorship.		The setting of different sponsorship objectives among their target groups.	Success control measured by the resonance on the media reactions. Rate of return of press information.
Tracking measures to identify changes on customer’s awareness and attitudes toward the company or brands.		Measures of attitude changes on customers toward the company or brands.	Measures of awareness and conspicuousness of the firm.
Comparison of sponsorship performance levels with initial objectives. (“Post-sponsorship”)		Comparison of sponsorship results with initial established objectives.	Media coverage and public relationship’s activities are evaluated. Collection of documentation of public reactions to projects.

Table 28: Comparison of cultural sponsorship’s evaluation processes: Firms and theoretical framework
Source: Author’s own construction

²⁵⁰ See Meenaghan (1983, p.15)

To examine the validity of its conclusions SIEMENS commissioned a market research study too. The association at a regional level is worth since customers of SIEMENS are the communes and regions besides the private consumers. The success control of the cultural projects is measured by the resonance on the media reactions. A rate of return of press information is obtained to complement the results of the external research commissioned to the marketing agency.

Tracking measures employed are measures of awareness and conspicuousness of the firm. The evaluation of media coverage and public relationship's activities takes also place. The documentation of public reactions to projects is collected.

Common themes are the *commission of an external agency* because of the complexity of the variables to be measure, like image association, awareness or brand loyalty. *Complementary measures* are media coverage to manage a record or statistics related to resonance or media reactions.

Concluding the discussion of the German managerial practices regarding cultural sponsorship the following results are summarized:

Objectives setting of cultural sponsorship:

-The objectives are well designed in relationship to the *brand and image* to be projected. Innovation is a main concept associated to the arts program. Firms associate the brand with cultural activities which images are innovation-and success-oriented.

-*Association* with successful arts activities can create the similar image of the company or brand on the public. Companies involved in sponsorship activities hope that the positive attributes of the sponsored object will "rub of" to the company or brand.

- *Relationship building* with customers, dealers, employees, and the community is an issue that sponsorship activities might foster. Building relationships implies to invite the mentioned groups to cultural activities.

-*Regional involvement* is also present in both companies. The interest group in this involvement is the federation, state, or commune. Here appears a political contact to the sponsored region. Customers are not only the citizens but also the federation, state or commune itself.

Selection of cultural sponsorship objects:

-These sequences contradict the one mentioned in the theoretical framework where the first and second steps are to determine the image of the brand/company, and to match the company's image with the cultural activity. Nevertheless regarding the linking special topics -considered also in the own theoretical framework- *promotional opportunities and target markets are putting together.*

-The company's image should *match the image* of the sponsorship activity (in this case a cultural sponsorship activity) in order to get a clear connection between the characteristics of the activity/event and the characteristics of the company's profile.

-The communication of a *desirable image is a major factor* to influence the decision on which sponsorship form to participate as well as the relevance of evaluating promotional aspects of sponsorship such as publicity opportunities. A successful and famous event gives positive associations. So the logic behind this argument in the results of the case studies is that a successful cultural activity can "rub off" on the company's image as a success image.

-The *cost* of a sponsorship activity, especially of a cultural activity must be seen in a *long-term perspective* since not everyone in the different target groups will purchase a car in the near future or acquire an electronic or communication solution as well. The importance of examining the cost of a sponsorship activity is stated in the theoretical framework. The budgets regarding cultural sponsorship are low in comparison to advertising.

Evaluation of cultural sponsorship activities:

-Common themes are the *commission of an external agency* because of the complexity of the variables to be measure, like image association, awareness or brand loyalty.

Complementary measures are media coverage to manage a record or statistics related to resonance or media reactions.

-Tracking measures employed are measures of *awareness and conspicuousness of the firm*. The evaluation of *media coverage and public relationship's activities* takes also place.

8. SUMMARY AND CONCLUSIONS

Chapter 8 conduces to a concluding summary of the objectives and findings of this dissertation. Furthermore, constructed on the frontiers of this work a starting point for further research can be derived. Finally there are several recommendations for the practice-oriented readers especially in Peru in order to manage the own cultural sponsorship concept.

8.1 Summary of the findings

As stated at the beginning of this dissertation the research objectives are: to interpret the cultural sponsorship problem in an economic approach, and to explore how German firms manage cultural sponsorship in order to identify success factors to be transferred to Peruvian subsidiaries.

This dissertation is of special interest in Peru, since the most important goal –mentioned in the Peruvian cultural policy- is to create and put in practice new structures to support the culture. Cultural sponsorship has a considerable qualitative impact in cultural politics, even when they represent a relatively small proportion of programming budgets.

Cultural sponsorship interpretation in an economic approach

Cultural sponsorship is a promotional technique used by firms in order to differentiate products. Cultural sponsorship may act as a positioning strategy for existing brands. By engaging in this promotional technique, established firms in a differentiated product market often attempt to position their products without changing the physical product itself. For example, SIEMENS might use an arts celebrity on its habitual events, which only appeals to culture “fans”. On the other hand, the same firm can use television commercials to emphasize the high quality technology used in its production process. In these examples, SIEMENS is positioning its product (through horizontal and vertical differentiation, respectively) without physically modifying it. Consumers use brands for image reasons and cultural sponsorship establish a brand’s image as stated in the previous section of this dissertation. A firm uses these strategies as a means to establish its position in the industry by distinguishing its product from its rival’s. Collectively, these choices determine the market structure via the extent of product differentiation. If consumers are assumed to have some familiarity with the brands then

differentiation involves promotion via cultural sponsorship, advertising, or other techniques.

The two first models allow interpreting cultural sponsorship in order to differentiate products. First a firm can horizontally differentiate its product among its most loyal customers. For example, a firm can associate its product with a popular artist, cultural activity or regional attribute (or all of them like AUDI AG and SIEMENS AG) in an attempt to appeal to a particular niche of the consumer population and to induce brand loyalty. Second, a firm can vertically differentiate its product by raising the consumption utility uniformly across all consumers, for example cultural sponsorship on this behalf may be interpreted as a form of “service improvement”.

The third model allows interpreting cultural sponsorship as a form of persuasive advertising. The impact in duopoly markets with horizontal differentiation was discussed. The researcher considers this last model as a framework to interpret cultural sponsorship in mature markets. Just to exemplify, the two cases analyzed in this dissertation AUDI AG and SIEMENS AG act in mature markets. Cultural sponsorship is described in the literature also as a means of persuasion. The persuasive view of advertising is associated with the creation of brand loyalty, so does cultural sponsorship as well.

Cultural sponsorship management in German firms and its transferability to Peruvian subsidiaries

What should be transferred depends on what would give the firm an edge given the conditions and circumstances in the target country, while what can be transferred is determined by what characteristics there are at home at the level of the firm, industry or country. Which are the conditions and circumstances in Germany and in Peru for the transferability of cultural sponsorship?

The main general conditions are the cultural policy, the motivation in private firms to engage in cultural sponsorship, and the cultural audience as target groups.

Interpreting the cultural policy as the national conditions in the country or region for cultural sponsorship:

- In Germany political and federal activities that support the promotion and conservation of cultural goods, a wide cultural concept that considers different cultural forms and providers, there is a base for institutional cultural work and also a base for reflection in an aesthetical dimension as well as a high measure of common views developed over the cultural promotion.
- In Peru the local activities are managed by the National Institute of Culture, this is a body with sufficient administrative autonomy and the capacity to be effective in carrying out the tasks of restoring culture to its proper position and promoting, disseminating and democratizing it. The functions cover the areas for cultural promotion, cultural activities, conservation of national monuments and the cultural heritage and artistic training.

About the motivations in private firms to engage in cultural sponsorship:

- In Germany there is a co-action among cultural society, private and public sector. Cultural sponsorship is a well -established tool. Sponsorship is widely applied in all branches, not only in culture but also in sports and other activities. Cultural sponsorship for several managers is about low budgets, and long-term goals. Sustainability is the rationale behind. Sponsorship is deductible as a cost of doing business. The association “Arbeitskreis Kultursponsoring” is a network to link corporate cultural sponsors with sponsoring receivers.
- In Peru the support to the arts is yet seen as a philanthropic action. In the case of this country the support should combine educational activities and cultural activities. *“In a land of multiple possibilities everything is to be made”* There is a need for a dialog with government representatives in order to regulate the support process. The conservation and preservation of monuments is in this country -with a millenary history- an interesting field to develop and the concept of sustainability should be involved. “ The German day to day versus the Peruvian expectation for the future”²⁵¹

²⁵¹ Comment from a Peruvian Manager in the interviews

About the cultural audience as target groups

- In Germany cultural sponsorship considers as activities not only the high arts but also the popular arts. So the cultural audience is broader by definition. The Sinus Milieu approach regards interests from the different groups defined including cultural interests. Regarding the firms motivations the specific “target group - cultural activity” association is chosen. Consumers in Germany have a positive image of cultural sponsorship in contrast to advertising.
- In Peru the cultural audience is also divided in people interested in high arts and in popular arts. The Sinus Milieu approach is widely used in Peru because it offers an accurate approach of consumers. The association between the target group and the cultural activity should be considered regarding product- and service type.

Concluding the discussion of the German managerial practices regarding cultural sponsorship the results are summarized:

Objectives setting of cultural sponsorship:

-The objectives are well designed in relationship to the *brand and image* to be projected. Innovation is a main concept associated to the arts program. Firms associate the brand with cultural activities which images are innovation-and success-oriented.

-*Association* with successful arts activities can create the similar image of the company or brand on the public. Companies involved in sponsorship activities hope that the positive attributes of the sponsored object will “rub of” to the company or brand.

- *Relationship building* with customers, dealers, employees, and the community is an issue that sponsorship activities might foster. Building relationships implies to invite the mentioned groups to cultural activities.

-*Regional involvement* is also present in both companies. The interest group in this involvement is the federation, state, or commune. Here appears a political contact to the sponsored region. Customers are not only the citizens but also the federation, state or commune itself.

Selection of cultural sponsorship objects:

-These sequences contradict the one mentioned in the theoretical framework where the first and second steps are to determine the image of the brand/company, and to match the company's image with the cultural activity. Nevertheless regarding the linking special topics -considered also in the own theoretical framework- *promotional opportunities and target markets are putting together.*

-The company's image should *match the image* of the sponsorship activity (in this case a cultural sponsorship activity) in order to get a clear connection between the characteristics of the activity/event and the characteristics of the company's profile.

-The communication of a *desirable image is a major factor* to influence the decision on which sponsorship form to participate as well as the relevance of evaluating promotional aspects of sponsorship such as publicity opportunities. A successful and famous event gives positive associations. So the logic behind this argument in the results of the case studies is that a successful cultural activity can "rub off" on the company's image as a success image.

-The *cost* of a sponsorship activity, especially of a cultural activity must be seen in a *long-term perspective* since not everyone in the different target groups will purchase a car in the near future or acquire an electronic or communication solution as well. The importance of examining the cost of a sponsorship activity is stated in the theoretical framework. The budgets regarding cultural sponsorship are low in comparison to advertising.

Evaluation of cultural sponsorship activities:

-Common themes are the *commission of an external agency* because of the complexity of the variables to be measure, like image association, awareness or brand loyalty.

Complementary measures are media coverage to manage a record or statistics related to resonance or media reactions.

-Tracking measures employed are measures of *awareness and conspicuousness of the firm*. The evaluation of *media coverage and public relationship's activities* takes also place.

8.2 Implications for further research

There is no academic work that can describe and analyze all the aspects of a research field and at the same time solve all the research questions. As a result of that limitation there is a direct research requirement to consider additionally posed questions seeing from a different angle or applying different methods.

The findings of this study are based on both aspects: 1) the interpretation of cultural sponsorship as an economic problem and 2) selected case studies with an emphasis on the German system. A broader survey of a significant number of businesses in Germany and Peru would allow concluding more reliable trends. This could also include a broader analysis of different concepts of cultural sponsorship prevailing in Europe. Extending the scope of the study of cases to more countries in Europe and the Americas would provide further insights into the sponsorship discussion. There is a significant gap in comparative studies of cultural sponsorship in several countries. When countries are considered as particularly advanced in terms of cultural sponsorship, consistent information on frameworks and concepts in these countries could provide a basis for a more informed debate.

The decision of sponsorship involvement needs nowadays a more sophisticated manner: On the current economic context firms try to be more competitive in the market, they should need an economic justification for their involvement, and they gain cumulative experience from previous utilization of sponsorship activities. These factors are needed in the general management of sponsorship, and particularly in the evaluation of sponsorship effects. Extended considerations about product differentiation and persuasive advertising could be analyzed as well in further research.

Cultural sponsorship does not appear as a good communication tool when launching a new brand, or bringing about short-term sales increases. In general, cultural sponsorship is perceived as being most appropriate where objectives are strategic and longer term rather than where objectives are tactical and short-term. In conversations with international sponsorship experts a less than rigorous approach to objective setting is also apparent.

8.3 Implications for managers

The findings of this research project have direct and indirect implications for managers in Peru. The direct implications concern the application of the cultural sponsorship framework regarding objectives setting, selection of the sponsorship object and evaluation of the sponsorship activities, and are relatively simple to implement. The indirect implications, on the other hand, concern how to coordinate with diverse institutions in order to be a relevant member of a new sponsorship industry in the country.

Regarding the objectives setting of sponsorship, several empirical works do show that sponsorship as compared to a variety of other marketing communications options was highly regarded for its ability to fulfill the broad marketing communication objective of: developing a more favorable attitude towards the company (brand), encouraging greater goodwill towards the company by intermediaries, and changing or enhancing corporate image

Taking in consideration both, the theoretical frameworks discussed and the appropriateness regarding culture as the sponsorship object the own framework constructed for the case studies include the following issues: increasing awareness/recognition of corporation or brand, enhancing corporate or brand image, creating goodwill, management interests, fostering favorable corporate and brand associations (match to consumer lifestyle), improving relationships, gaining exposure/publicity, employee motivation, staff recruitment, improving profitability, and creating entertainment opportunities

Regarding the selection of the sponsorship object by companies the logic behind cultural/arts sponsorship can be like the following statement: "We have spent a lot of money in an exhibition because they think the excellence of an arts event rather than just the fact that it exists, reflects the quality of a company" Cultural sponsorship can be also used to transmit efficiently desired corporate and brand images. Nevertheless several writers on the field of sponsorship tend to associate culture (arts) with a quality upper-class image. However, in many cases this narrow interpretation fails to appreciate the potential of mass culture such as pop art, rock music, cinema, mass appeal literature, etc. to deliver the desired image for companies whose products appeal to a mass youth audience.

As in the case of objectives setting, taking in consideration both, the theoretical frameworks discussed and the appropriateness regarding culture as the sponsorship object, the own framework constructed to developing the case studies includes the following features: image of the brand/company, matching images, cultural sponsorship forms, and audiences. These features should be developed in a sequential process and are linked to special topics like communication objectives, target market, promotional opportunities and costs.

An interesting issue regarding the *evaluation of the sponsorship activities* is that the “personality” of the sponsorship as perceived by the market is, susceptible to change as is demonstrated by the case of jazz. The general area of cultural sponsorship, by contrast to sport sponsorship, appears to be less capable of generating high levels of awareness and association. Several European surveys that examined awareness of corporate involvement in arts sponsorship found that in general, awareness of involvement was low. Commenting on the ability of the arts to create awareness this report stated “industry should be most cautious on commercial grounds before embarking on widespread arts sponsorships”.

However, the sponsors generally recognize the limitations of cultural sponsorship, and rarely is cultural sponsorship entered in creating mass awareness. Commenting with sponsorship experts they stated that companies accepted the cultural sponsorship would not get the same response as sports sponsorship but it does get the name around to the right kind of people, influential people, and if the right forms of cultural sponsorship are chosen the companies can get very considerable coverage.

As discussed before the decision making process begins with the setting of objectives, the attainment of which invariably requires a search for information from which to develop a set of alternatives. These alternatives are compared and evaluated using applicable criteria, and the alternative that gives greatest promise of attaining the objectives is chosen. The selected alternative is then implemented through existing structures, systems and processes, after which it is subjected to existing follow-up and control procedures to ensure an outcome compatible with the initiating objectives. So the financial resources, branding building skills, people, and organizational capabilities and routines could operate in an accurate framework.

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EXHIBITS

Exhibit 1: The History of Sponsorship

1 B.C. – 1600 – The Era of Patronage

Sponsorship in this era was not sponsorship in its modern-day sense, as individuals, not companies, sponsored artists. However, they did expect a “return on investment,” such as a support from their subjects.

In the Roman period, patronage of the arts was in the hands of the rulers and army commanders. Later, the church, statesmen, and aristocratic patrons played the central role.

Shakespeare created his Royal Theatre Group. The Roman popes and other church dignitaries were clients or supporters of artists such as Michelangelo and Leonardo da Vinci. The Medici family in Florence and the Sforzi family in Milan are among the most famous families of the time who encouraged the arts through their patronage.

1631 – The Advent of Advertising

Once again, sponsorship during this period was not sponsorship, as we know it- only the benefit of exposure was offered through advertising. However, it was a necessary step in the development of modern-day sponsorship, and, as everyone knows, it still thrives today in the media world.

Important first steps: In 1631, a French newspaper ran a classified ad; in 1704, a Boston newspaper printed a display advertisement.

1910 – 1970 – The Early pioneers

The Eveready Hour was the first sponsored radio program in 1924. Motor sports, golf, and tennis were the forerunners of modern-day sponsorship. Cigarette, alcohol and automobile companies became the first to sponsor events. Firestone and Bosch have been sponsors of the Indianapolis 500 since 1911. The Goodyear Tire and Rubber Company developed the Goodyear blimp and started using it extensively in 1959 because of the vision of the company’s vice president of public relations, Bob Lane. In 1956, The Kentucky Derby Festival was the first festival to have a little sponsor for one of its events: the Philip Morris Festival of Stars.

1970 – 1984 – The Era of Development

Although many event managers refused to accept corporate sponsorship (they were afraid of their events being tainted), motor sports, golf and tennis and their sponsors continued to build on their relationships. However, most sponsorship in this era was provided because sponsors could get free exposure on television or were afforded hospitality opportunities, or because the CEO wanted to play golf with Arnold Palmer. Sponsorship was never activated or leveraged.

1983 The Sponsorship Explosion

Faced with a situation of a very few government funding sources, Peter Ueberroth sold more than \$400 million worth of sponsorship for the Los Angeles Olympic Games. That led to an explosion of sponsorship marketing. Companies found that they could increase sales through sponsorship, and many event managers forgot the notion that their events could be tainted. They increased their sponsorship levels dramatically, and approximately 40,000 events were created in the next ten years because of sponsorship funding.

People like Ben Barkin of the Schlitz Brewing Company teamed up with festival organizers like George Wein of the Newport Jazz Festival, paving the way for sponsorship of free festivals. Jerry Welsch of American Express introduced new ways of marketing through events and more or less invented cause - marketing. He got his company involved in the Statue of Liberty restoration, the first national cause –marketing initiative. Event managers, too, contributed to the sponsorship explosion. CEOs Jack Guthrie and Dan Mangeot of the Kentucky Derby Festival led the way to increased participation by sponsors at festivals around the world.

In May 1983, Lesa Ukman of the International Events Group (IEG) published the first sponsorship newsletter and sponsor and event managers begin to learn about sponsorship and all of its forms from an industry publication.

1990s – The Era of Added Value

When the explosion hit in 1984, most sponsors were still happy if they received only signage and hospitality opportunities. In the 1990s sponsors became more sophisticated. Things like business-to-business (B2B) opportunities, measured results and sales, activation and providing incentives became increasingly important. Hospitality and mentions in connection with an event were still vital, but more value was desired.

2000 –Present – The Technological Era

Just as technology has affected all other areas of society, it has had a great impact on events. Website sponsorship partners are starting to become commonplace. On July 17, 2001, Microsoft Network U.K. and Elton John make history: The former sponsored Sir Elton's July 17 concert from the ancient Great Amphitheatre in Ephesus, Turkey, and the latter sponsored a cybercast of the concert on pay-per-view for broadband users only.

Skinner, B; Rukaniva, V. (2003) "Event Sponsorship" John Wiley and Sons, Inc., USA

Exhibit 2: Interview protocol for the case studies

General Information

1. Company's name
2. Name and position of the respondent
3. Respondents time within the company
4. Number of employees
5. Year of company's establishment
6. Products/services
7. Organization
8. Annual turnover
9. Industry
10. Business mission
11. What proportion of your marketing budget is designated for sponsorship?
12. In which cultural sponsorship activities is the company currently involved in?

Objectives of cultural sponsorship

1. Why did your company choose to sponsor arts in particular?
2. What are your main objectives with your cultural sponsorship?
3. Why do you think that arts sponsorship is the right method for reaching the mentioned objectives?
4. What is the relative importance of the following objectives with your cultural sponsorship? (Low, medium, extremely important)
 - a. Increasing awareness
 - b. Recognition of corporation or brand
 - c. Enhancing corporate or brand image
 - d. Creating goodwill
 - e. Management interests
 - f. Fostering favorable corporate and brand associations
 - g. Gaining publicity
 - h. Employee motivation
 - i. Staff recruitment
 - j. Improving profitability
 - k. Creating entertainment opportunities for target groups
 - l. Other
5. What aspect of your cultural sponsorship object do you want your target audience to associate to your company?
6. Is sponsorship a way of establishing and strengthen the relationships with the company's publics? Which way?
7. Is there anything you would like to ad regarding your sponsorship objectives?

Selection of cultural sponsorship objects

1. Does your company take the initial contact to your sponsorship object or are you contacted by the sponsored?
2. What are the main criteria for the sponsor object that you considered when decided on a sponsorship?
3. Describe your company's process of a certain sponsorship from the decision to sponsor something to the follow up of the sponsorship.
4. How would you describe the process that your company goes through when selecting a certain cultural activity to be sponsored?
5. How do you describe the relationship between arts and your products?
6. What are the primary target groups that your sponsorship is trying to communicate with?
7. Is there anything you would like to add regarding your selection of the sponsorship object?

Evaluation of cultural sponsorship activities

1. Does your company measure the effect of the sponsorship?
2. If so do you hire an agency to measure the effectiveness of your sponsorship? Why?
3. Are you pleased with your current evaluation? Why?
4. What do you measure when evaluating the sponsorship?
5. What do you think are the direct benefits from cultural sponsorship?
6. What do you think are the indirect benefits from cultural sponsorship?
7. Is there anything you would like to add regarding your evaluation of the sponsorship activities?
