

Marketing Audit and Its Importance in Achievement of Marketing Objectives of a Company

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Abstract:

The concept of marketing audit is currently highly discussed. The main purpose of this paper is to support implementation of marketing audit in activity of companies. The importance and using of marketing audit is growing and companies realize its importance for their future growth and success. The paper deals with marketing audit and the importance of valued information which can contribute to the detection of opportunities and threats in the market. Through this paper we would like to bring into focus the broad and different aspects of marketing audit that can help an organization to understand the internal as well as external environment thus effectively analyzing its strategies and their implementation. Marketing audit is the most important step in the development of the marketing Plan. Marketing audit has an essential contribution to the future success of the business. Depending on the results of marketing audit is drafted the plan and marketing strategy that will be applied later. Final goal of marketing audit is elaborating a strategy in accordance with the company's real problems.

Keywords: marketing; audit; plan of marketing audit; audit of marketing environment

JEL Classification: M40; M41

Introduction to marketing audit

The marketing audit is a fundamental part of the marketing planning process. It is conducted not only at the beginning of the process, but also at a series of points during the implementation of the plan.

The importance of marketing audit is that it is an independent examination of the marketing performance in particular company whose goals are to identify problem areas and marketing opportunities and propose measures to improve the situation.

According to these authors Kotler and Keller (2009) the marketing audit is regarded as having the following *major characteristics* (Armstrong 2010):

- it should be *comprehensive* and broad in focus covering the entire marketing environment of the company. The marketing audit covers all the major marketing issues facing an organization, and not only one or a few marketing trouble spots. The latter would be called a functional audit if it covered only the sales force, or pricing, or some other marketing activity;
- it should be *an objective* exercise and *independent* of the managers directly involved in making the marketing decisions;
- it should be *systematic* and orderly sequence of diagnostic steps as compared to an unstructured and random investigation. The marketing audit involves an orderly sequence of diagnostic steps covering the organization's marketing environment, internal marketing system, and specific marketing activities. The

diagnosis is followed by a corrective action plan involving both short-run and long-run proposals to improve the markets;

- it should be carried out *periodically*, because marketing audit should be undertaken on a regular basis and not only when major problems arise. Audit should be carried out regularly, not just when there are some problems.

Marketing audit serves as prevention and maintain organization in a favorable position in the market. The audit is associated with the financial side of the business. It is implemented through a defined set of accounting standards that are clear, logical and easily available. We find that a marketing audit comprises the steps systematically and covering all marketing activities and areas of business. Managers need relevant information on the basis which is able to provide them the right, operational and effective decisions.

An audit has an irreplaceable role in a market economy. Its traditional function involves the utilizing of reliable and objective information that provide insight into the financial position and results of operations. The term audit in modern management became a tool for improving corporate management of the company.

In order to be able to undertake an audit within an organization, the company needs to have a system in place and functions to ensure the organization, planning and information system which can capture signals from the external environment. Audit which is based on the relevant information can help organizations take advantage of all the opportunities which are provided by the market and thus avoid negative threats that may appear on the market. We can conclude that valuable information has its own important place and an irreplaceable role in the implementation of the marketing audit.

2. The implementation of marketing audit

The implementation of marketing audit can be divided in several stages presented below. In the first stage the auditor draws up a *Plan of marketing audit*. In this audit plan the auditor defines the need for implementing various functional audits and it examines the availability of needed information resources. Auditor according to the meeting with the management of the organization where they agreed to specific audit procedures. They agreed on the purpose, scope, objectives, information sources, form of final report and the time period for establishing audit.

The second stage is the implementation. Audit realizes diagnostic steps, using the methods of logical analysis. It defines the problem and carries out the marketing analysis and behavior of the organization. According to these implemented analyzes we diagnose the issue. Auditor analyzes the objective facts that can be derived from past development. The auditor uses the following information which is provided (Imran, Mondal 2012):

- by studying existing documentation - the objective analysis of the marketing activities, reports from previous audits, security policy, security project;
- opinions of business partners and information based on development of economic environment from external sources;
- interviews with employees and with suppliers, the opinion of employees about efficiency of marketing systems.

The third stage is the preparation of the final report by the auditor which should be submitted to the management of the organization. Auditor expresses their opinion on the controlled matters. It proposes measures to correct the deficiencies. Marketing audit is not performed to diagnose a problem faced by enterprise. Marketing audit is recommended to be used at the start of every planning cycle. Marketing audit is the most important step in achieving of marketing objectives for an organization.

Therefore, according to the results of marketing audit are elaborated the marketing plan and the marketing strategy that will be applied later. *The advantages* to applying a marketing audit are presented in the Table 1

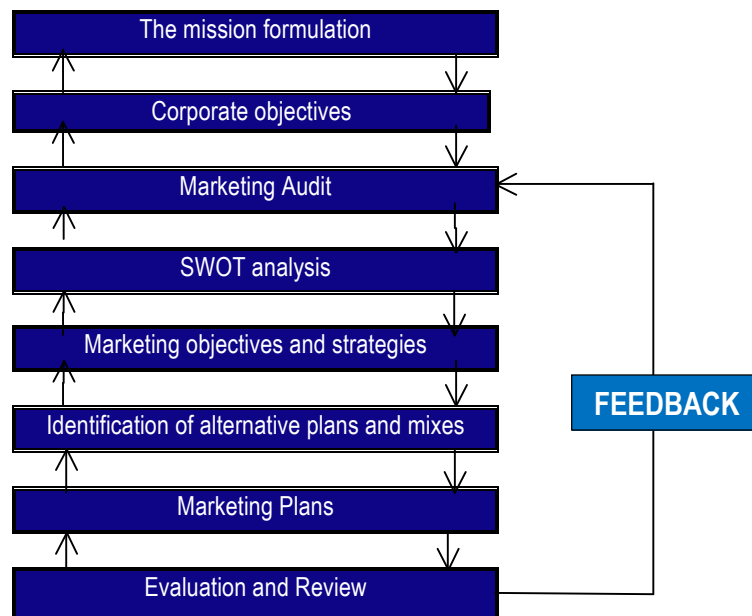
Table 1. The advantages to applying a marketing audit

The advantages to applying a marketing audit:
<ul style="list-style-type: none"> ▪ identification of marketing strategies and tactics giving results; ▪ identification of important aspects that are missing; ▪ identifying strategies and tactics that do not work; ▪ reveals elements or factors that positive or negative influences the marketing of organization; ▪ identifies the exact source of the problems regarding marketing of organization; ▪ identifies internal and external factors that hinder achieving the targets; ▪ help devising a strategy consistent with the company's real problems.

Source: (own processing)

The limits of marketing audit can be: the marketing audit time consuming, it requires professional personnel, it is a consumer of money. We mention that the auditor must possess knowledge: audit, financial and economic but also marketing. Marketing Audit is the most important step in developing a marketing Plan, with a significant contribution to the future success of business. In the scheme below we present the strategic marketing planning stages, where it is essential the marketing audit.

Figure 1. The strategic marketing planning stages



Source: own processing

3. The components of marketing audit

In the following we present the components of a full marketing audit, the components generally accepted by specialty literature: marketing environment audit, marketing strategy audit, marketing organization audit, marketing systems audit, marketing productivity audit and marketing function audit. These six components of a marketing audit are semiautonomous which means that a company often demands only one of them and rarely a full-audit is needed.

These components are explored by six major types of marketing audit. So, *audit of marketing environment* – it deals with factors from external and internal environment in terms of their past development and expected trends which can mean either the opportunities or risks for the organization. For conducting a Marketing Environment Audit the auditor must identify the changes occurred in the business environment which means dealing with political, economic, socio-cultural and technological factors and especially with the market itself.

These factors can offer great opportunities to the company or by the contrary, major threats but only if they are spotted out correctly, on time, and mostly, if they rely on proper internal resources (Cheng 2010).

Audit of marketing strategy – it checks how the marketing objectives and strategies of the organization are adapted to the external environment and corporate resources and options. Under the marketing strategy audit, the auditor evaluate marketing performance by evaluating marketing goals and objectives, company mission the move to the strategy of organization.

The marketing organization audit - is mainly considered effectiveness of the organization activities as well as efficiency of operation of company. The Marketing Organization Audit will focus over the quality of interaction between marketing and other functions such as finance, purchasing, research and development (MCDonald 2007). Audit of marketing organizations determine the ability of the marketing organization to implement the strategy from formal structure, functional effectiveness of interactions between different departments in the organization. *The marketing systems audit* - here the marketing auditor is considered whether the company is using appropriate marketing systems to collect the information, plan the activities, control the operations and to maintain smoothly their day to day activities and whether these systems are properly worded within the company or not. The auditor recommendations might be a valuable indication for building an adequate marketing system.

The auditor analyses sales, distribution, new product development and other important aspects within a marketing activity with the scope of offering an impartial recommendation. We retain that an audit of marketing systems it is focused on the part of operation for the four main marketing systems in the organization: marketing information system, marketing planning system, marketing control system and system for developing new products. It examines whether an organization achieves the objectives of marketing, whether these objectives correspond to the opportunities on the market (Loya 2011).

Another component of marketing audit is - *the marketing productivity audit*. The marketing productivity audit - is focused on evaluate the company profits and revenue. So the marketing productivity audit is very important to evaluate the marketing performance. The marketing auditor is used profitability analysis and cost effectiveness analysis for their evaluation process. We retain that an audit of marketing productivity, it brings information about the profitability of individual aspects of the marketing program. It examines the effectiveness of the cost, profit and sale.

Last component of marketing audit is - *the marketing function audit*. Here are in detail evaluate the individual components of the marketing mix. Under the marketing function audit, the auditor is using marketing mix elements to analyze company functions such as product, price, place and promotion. Here marketing auditor evaluates marketing performance by asking questions under product, price, place and promotion (Schlidge 2006).

4. External and internal marketing audit

A marketing audit should be done at the beginning of the marketing planning process. It takes a close look at the current business landscape internally and externally. The managers have to decide on which environment they want to focus. But if they want to reach overall feedback and picture of the marketing environment is necessary to do both of the audits (Chirilă and Funar 2010, Vana and Cerna 2012).

We present in the table below that are the items which focuses internal and external marketing audit.

Table 2. Items which focuses internal and external marketing audit

Internal Audit focuses on:	External Audit focuses on:
<ul style="list-style-type: none"> ▪ <i>Marketing</i>: organizations, procedures, information, mix. ▪ <i>Sales</i>: geographic reach and location, type of industry, total sales revenues, by customer, by product. 	<ul style="list-style-type: none"> ▪ <i>Market</i>: characteristics; trends; size; customers; channels; industry behavior. ▪ <i>Economic and business environment</i>: economy; fiscal; social; technological.

Source: processing after Vana and Cerna (2012)

In the specialty literature, but also in the practice of companies, in marketing audit are accepted *following stages* (MCDonald 2007):

- it establishes the audit team, the team structure and tasks of each auditor;
- setting objectives of the audit mission;
- presentation of the methodology used for the marketing audit. the methods used: the documentary study, the observation, the interview, etc;
- established sources of data collection. In the Plan of marketing audit must be defined the need for implementing various functional audits and must be examined the availability of needed information resources. The auditor and the management of the organization they agree with: the specific audit procedures, the purpose, scope, objectives, information sources, form of final report and the time period for establishing audit. Data collection sources can be: objective analysis of the marketing activities, by studying existing documentation (reports from previous audits, security policy, security project), opinions of business partners and information based on development of economic environment from external sources, subjective opinion of employees about efficiency of marketing systems, etc. (Taghian, Shaw 2008):
- activities in which are involved the audit project members and the program conduct of business in the auditing process;
- the program of the audit mission that contains: Opening meeting, Collecting evidence / audit evidence, Elaboration of the audit report, Presentation of the audit report in the closing meeting of mission;
- the audit Report with: the audited processes, conclusions of the audit mission, the measure plan. The auditor expresses their opinion on the controlled matters. It proposes measures to correct the deficiencies. The final report should be submitted to the management of the organization.

Conclusion

For the existence of any company in the market the information resulting from the audit of marketing is important. The company who practice the marketing audit can respond with the right information more effectively to the changes in the internal and external environment, to adapt to and respond effectively to the changes and shocks of environment. The marketing audit has a wide auditing area that may include: marketing environment, marketing strategy, marketing organization, marketing systems, marketing productivity, marketing function, which results information more complex and more well-grounded. This represents an advantage for the marketing audit. It can lead to an increase in understanding and decrease in uncertainty. Information provided by marketing audit is valuable because it can affect behavior, a decision, or an outcome. The regular implementation of the marketing audit can provide relevant information in time to help managers in the right, operational and efficient decisions.

The task of marketing audit is to provide solutions to the following questions: Is the company using the best basis for market segmentation? Does the company have clear criteria for rating the segments?; Is the strategy convincing?; Has the management articulated a clear marketing strategy for achieving its marketing objectives?; How competitive is the marketplace?; What are competitors doing, and are they doing it well?; What might competitors be preparing to do?; Is the product-management system working effectively?; Are product managers able to plan profits or only sales volumes?; Are there good communications and working relations between marketing and sales?; What is the profitability of the company's different products, markets, territories and channels of distribution?; Can cost-reducing steps be taken?; What are the company's pricing objectives, policies, strategies and procedures?; To what extent are the prices set on cost, demand and competitive criteria?; What are the company's product-line objectives?; Which products should be phased out, or should be added to?; Is there adequate market coverage and service?; Should the company consider changing its distribution channels? Marketing audit can provide answers to other questions, in addition to those set out above.

Marketing audit is the most important step in the development of the marketing Plan. Marketing audit has an essential contribution to the future success of the business. Studies on the efficiency increase of marketing actions show the necessity of introducing marketing audit with other types of audits which have become common,

such as: financial audit, human resources audit, environmental audit, etc. Final goal of marketing audit is elaborating a strategy in accordance with the company's real problems.

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