



Marketing Audit - An Examination of Company's Marketing Position

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ABSTRACT

Marketing and Finance functions are mutually dependent. One without the other is incomplete and the success of the firm depends on the harmonious relationships between these two functions. Hence, financial management concepts have been accepted for supporting marketing decisions. Marketing audit includes a careful appraisal of company's past performances as well as an evaluation of its marketing strengths. In this paper an attempt has been made to discuss the concept, need, coverage and salient features of the Marketing Audit. The paper also outlines different factors of Marketing Audit and finally presents major auditing questions in Marketing Strategy and Marketing Organization Audit.

Keywords : Appraisal, Consumer Satisfaction, Globalisation, Marketing Operations, Systematic Examination.

Backdrop

Marketing is one of the terms in business that is often misunderstood. In the immediate past the term was used to denote selling or advertising. Recently, however, people have started saying it is Market Research - i.e., a process most manufacturers and sellers do for finding out what consumers want. It is true that, in one sense, marketing is about all of these and yet it is much more. For instance, marketing is not selling, but the culmination of successful marketing is a sale. Similarly, advertising is an effective means of communicating with potential customers, and convince them of the merits of products. It is also a fact that without a proper understanding of real customer needs, success cannot be reaped in market place. This aspect can be well attended to by adopting effective market research.

Marketing is the process of determining consumer demand for a product or service, motivating its sales and distributing it into ultimate consumption at a profit. The various functions performed by the marketing management include market research, product planning, pricing policy, sales promotion and advertising and distribution of goods or services.

The purpose of a business plan is to answer three central questions :

Where are you now?

Where do you want to go?

How to organize the resources to get there?

The term auditing is conceived here as a structured approach to the collection and analysis of information and data in the complex business environment as an essential prerequisite to problem-solving. It is likely that a company may find that performance problems recur regularly. Such problems may occur in the entire marketing function of an organization or it could happen in one department, for example, product management. Determining what causes performance problems to recur may require conducting a marketing audit.

Marketing Audit – A Conceptual Framework

Marketing audit is "a systematic, critical and independent review and appraisal of the total marketing operations and

the assumptions which under lie them as well as the methods, procedures and personnel employed to implement the policies and to achieve the objectives." It is also defined as "an independent examination of the entire marketing effort of a company or some specific marketing activities covering objectives, programmes, implementation and organization for the triple purpose of determining what is to be done, appraising what is being done and recommending what should be done in future." An auditor has to find out as to how the marketing needs are evaluated by the company, how a determination is made as to which particular needs will be satisfied and in what manner all of this will be accomplished. Marketing audit is also concerned with assessing the extent of compliance with marketing policies and procedures. A marketing auditor should have a thorough understanding of the entire business, its markets, its products, its technology, its processes, its systems and its people so that he is in a position to form meaningful views.

Essential Features of Marketing Audit

Marketing audit covers all marketing areas like product planning, sales promotion and advertisement, distribution of goods or services, etc.

Such an audit is carried out at regular intervals irrespective of whether a company is facing any marketing problems or not at the time of such an audit.

Marketing auditing is equally useful for all businesses whether they are successful or not. It helps to improve performance in all marketing areas.

It is an audit of marketing policies, procedures, performance, organisation and methods to achieve business objectives.

Specific Areas of Marketing Audit

Marketing audit should cover the following areas:

Objectives : An auditor should know the marketing objectives of the company. Many companies have no clear marketing objective except achieving high sales volume. An auditor should advise the management to have clear-cut objectives of marketing from amongst the following:

- To secure consumer satisfaction.
- To achieve coordination with other functions like produc-

tion, finance, etc.

- To attain profitability of operations, and
- To serve the society.

Programme : An auditor should check the programme of the company for achieving the marketing objectives. If, for example, the objective is to serve the society, then does the company have any programme of maintaining high standards of quality of goods at low price.

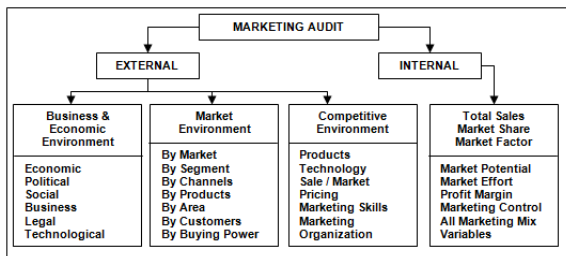
Implementation : An auditor should check the plans to implement company's marketing programme. The strategy and procedures to implement these programmes and their reasonableness should be appraised.

Organization : There should be a suitable organization to implement the marketing programme. An auditor should check the formal lines of authority and responsibility, status of the marketing manager in the organization structure, adequacy of sales force, etc.

Types of Marketing Audit

Richard D Crisp distinguishes two types of marketing audit: Horizontal and Vertical. The horizontal audit examines all of the elements that go into the marketing whole. In other words, it is marketing mix audit. Needless to say, in such an audit, relative importance of each element and their interrelationship are considered. On the other hand, *vertical audit* singles out certain functional elements of the marketing operation and subjects them to a thorough study and evaluation. For example, if a company conducts an audit exclusively on its advertising or distribution functions, it is Vertical audit. If these two functions are combined with product management and marketing research then such an audit takes the form of *Horizontal audit*.

The actual conduct of marketing audit is beset with two kinds of variables. First, there are variables over which the company has no direct control. These may be referred to as environmental and market variables. Secondly, there are variables over which the company has complete control. These are termed as operational variables. Thus, besides the kinds of audit mentioned in the previous paragraph an external and an internal audit also have to be made. The external audit comprises examination of information on the general economy and conditions for the healthy growth of markets. The purpose of internal audit is to assess the organization's resources as they relate to the environment and vis-à-vis the resources of the competitors.



Thus, in a marketing audit process there are basically two phases:

Identification, measurement, collection and analysis of all relevant facts and opinions which impinge on a firm's problems, and

Application of judgment to areas which are still remaining uncertain.

Like an accounting or financial audit, a marketing audit should be conducted regularly, because its primary purpose is to identify weaknesses in ongoing marketing operations and to plan the necessary improvements to correct these weaknesses. Marketing audit evaluates how effectively the marketing

organization performed its assigned functions. A marketing audit may be specific and focus on one or a few marketing activities or it may be comprehensive and encompass all marketing activities of a firm.

Marketing Strategy Audit

The audit of marketing strategy calls for reviewing the company's marketing objectives and marketing strategy to appraise how well these are adapted to the current and forecasted marketing environment. Major auditing questions in this area are as follows :

- Are the corporate and marketing objectives stated clearly to guide marketing planning and performance measurement?
- Are the marketing objectives appropriate given the company's competitive position, resources and opportunities?
- Is management able to articulate a clear marketing strategy for achieving its marketing objectives?
- Is the strategy convincing?
- Is the strategy appropriate to the stage of the product life cycle, competitors' strategy and the state of the economy?
- Is the company using the best basis for market segmentation?
- Does it have sound criteria for rating the market segments and choosing the best ones?
- Has it developed accurate profiles of each target segment?
- Has the company developed a sound positioning and marketing mix for each target segment?
- Are marketing resources allocated optimally to the major elements of the marketing mix, i.e., product quality, service, sales price, advertising, promotion and distribution?
- Are enough resources or too many resources budgeted to accomplish the marketing objectives?

Marketing Organization Audit

This audit calls for evaluating the capability of the marketing organization to implement the necessary strategy for the forecasted environment. A questionnaire Marketing Organization Audit is given as below :

- Does the marketing officer have adequate authority over and responsibility for company activities that affect customer satisfaction?
- Are the marketing activities optimally structured along functional, product, consumer and territory lines?
- Are there good communication and working relations between marketing and sales?
- Is the product management system working effectively?
- Are product managers able to plan profits or only sales volume?
- Are there any groups in marketing that need more training, motivation, supervision or evaluation?
- Are there any problems between marketing and manufacturing, research and development, purchasing, accounting and legal that need attention?

Conclusion

Marketing auditing, is thus, a systematic and through examination of Company's marketing position. It helps an organization to focus on its resources to ensure that the customer is satisfied at a profit to the business. Marketing Audit conductance is helpful in appraising what is being done and recommending effective changes to improve efficiency and effectiveness of marketing operations. Globalization of markets has increased the urgency of regular marketing audit for an organization.

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