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Marketing Audit and Auditing: Diagnosis through Intervention

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Abstract

Today's world is a dynamic world where everything changes very rapidly. Among all the walks of life, business world is especially changing very fast. To keep pace with this ever changing dynamic business world, every company or firm must make optimum utilization of its limited resources. Therefore, it is necessary that they closely observe the changes occurring in market regularly and makes appropriate changes in their marketing policies in accordance with these new trends in market to enhance its market share. One of these techniques helps to improve the performance of marketing division and enhancing the market share of the company is Marketing Audit. In the present study, an attempt has been made to find out the role of marketing audit in the success of a company. It has also been tried to check out that how far the recommendations made by the marketing auditor have been adopted by the company.

Keywords: Audit, Change, Diagnosis, Marketing, Prognosis, Segment, Strategy

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1. Introduction

The present study entitled 'Marketing Audit and Auditing: Diagnosis through Intervention' has been divided into five chapters. The first chapter deals with the concept of marketing audit and its different aspects. The concept of marketing audit was introduced in early 50's. There is evidence that marketing audit had been conducted by Rudolph Dallmeyer in 1952. But it has received its due importance only after 1970's. Marketing audit is a continuous, systematic, objective and periodic analysis of the entire marketing environment, marketing strategies, marketing organization, marketing system, marketing policies and marketing activities of a particular business enterprise. Its purpose is to provide suggestions for improving the future performance. The main characteristics of marketing audit are that it is a systematic, comprehensive, independent, periodical and critical analysis process. The process of marketing audit is adopted basically for fulfilling following three purposes:

- For more effective use of marketing budget.
- For reaching customers with higher cost efficiency.
- For integration of company's marketing strategies with current marketing conditions.

In the process of marketing audit, there are three stages of evaluation - Diagnosis, Prognosis and Recommendations. All the relevant information about the organization are collected and analyzed at the stage of diagnosis. At this stage, key constituents are identified, salient environmental features are enumerated and review of current marketing program is made. After identifying environmental forces and trends related to each segment, these are translated into specific opportunities or threats to the current marketing program of each segment at the stage of prognosis. Diagnosis and prognosis stages are primary steps for reaching the stage of recommendations. With the help of information about micro and macro environment of the organization from diagnosis stage and information about specific opportunities or threats to the current marketing program from prognosis stage, recommendations are made for making strategic changes.

The process of marketing audit is done at three different organizational levels - Marketing Function, Product/Market Domain, Department. From the point of view of marketing audit, marketing function is the highest organizational level. When it is done at this highest level, then all the aspects of marketing related to the every product manufactured by the company are covered under the purview of marketing audit. Product or market domain is the second organizational level from the point of view of marketing audit. At this level, all the marketing activities related to a particular product manufactured by the company or a particular market served by the company is included under the process of marketing audit. When marketing audit is done at the third organizational level, i.e., at the level of department, then only one particular marketing activity such as pricing or promotion or product positioning is considered.

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In the process of marketing audit, information related to the organizational objectives, external situation, internal situation and performance of the past strategies are audited. 'Product', 'Publics', 'Price', 'Place', 'Promotion' and 'Production' are known as the 6 'P's of marketing audit.

Both Financial Audit and Marketing Audit is a systematic and dynamic process and both of them are conducted on the basis of past records. But their basic nature and purpose is different. Financial audit is basically a checking system which is carried on for the verification of accounts whereas marketing audit is done for the generation of valuable recommendations for making strategic changes in the area of marketing to improve performance. Another notable thing in this regard is that conducting financial audit every year is compulsory by law whereas there is no such legal compulsion to conduct marketing audit and it can be done at any time. As far as Management Audit is concerned, marketing audit is only a part of the management audit.

A marketing audit may be specific and focus on only one marketing activity, or it may be comprehensive and includes all the marketing activities of a company. These different aspects are known as dimensions of marketing audit which can be classified in the following form: 1. Marketing Environment Audit, 2. Marketing Strategy Audit, 3. Marketing Organization Audit, 4. Marketing Systems Audit, 5. Marketing Productivity Audit and 6. Marketing Functions Audit.

The process of marketing audit can be done by the executive in charge of a given marketing activity. The second option for conducting marketing audit is the independent task force of personnel from other marketing units. A full time internal staff group can also be assigned with the task of conducting marketing audit. The fourth option for a marketing auditor is an outside consultant with broad experience in the field of marketing audit. The companies which are really interested in marketing audit usually adopt the fourth option. Though it is costly than other options but most unbiased recommendations can be obtained from it.

In the *second chapter*, three case studies related to 'Titan Watches', 'Reliance Textiles' and 'Sears' have been studied in detail. These are actual cases of those companies which had actually implemented the process of marketing audit in their organizations. These case studies have helped in obtaining an insight into the current status of marketing audit. On the basis of analysis of these case studies, three sets of hypotheses have been formulated for the present research work.

The *third chapter* deals with the research methodology. In this chapter, first of all, review of literature is done. Review of literature has been divided into three sections – 1. Research Papers, Articles and Thesis; 2. Internet research; and 3. Caselets. In the first section, 30 research papers and 4 theses have been studied. These research papers and theses relate to the period from 1977 to 2008. There are many consultancy firms which are specialized in conducting marketing audit on behalf of their clients. In their websites, they provide information about various theoretical aspects of marketing audit. Hence, in the second section of 'Internet Research' theoretical matter given in the websites of 9 such marketing audit firms have been studied. To obtain a thorough knowledge of the procedure and outcomes of marketing audit, 4 caselets have also been studied in brief in the third section entitled 'Caselets'. In this section, small case studies related to 'Crayola Crayons', 'Journal of Medical Practice Management', 'Jewel Companies (Jewel Teas)' and 'Portland State University' have been studied. These organizations had actually adopted the process of marketing audit in their concerns.

The second part of this chapter explains the need of the present study. Means of marketing audit are its contents, i.e. the questions to be asked from the marketing executives at the time of conducting audit. Ends of marketing audit exists in the form of organizational change because the end result of marketing audit remain in the form of suggestions recommended for making changes regarding different aspects of marketing. In other words, ends of marketing audit remain in the form of intervention into matters of marketing. There is a need for creating balance between these two aspects, i.e. means or diagnosis and ends or intervention. The present research study has been made for evaluating the balance between the means and ends of marketing audit.

2. Objectives

The third part of this chapter states the objectives of the present study. The objectives are divided into two categories: 1. Primary objectives and 2. Secondary Objectives.

2.1 Primary Objectives

- To checkout the success and priority of various aspects of marketing strategies in the light of marketing audit.
- To analyze the importance of time factor in performing various important marketing activities.

2.2 Secondary Objectives

- To find out the bases on which companies undertake marketing audit.
- To examine issues in development of a suitable battery of benchmarks against which to judge marketing procedure.
- To analyze marketing procedures on the basis of those benchmarks.
- To develop alternatives for improving the organization's marketing.

The fourth part of this chapter describes the scope of the study. Since, in India, the importance of marketing audit has not yet been recognized by most of the organizations and they do not implement this technique in their enterprise; hence, only those business enterprises are included under the present study which actually carries out the process of marketing audit regularly. The present study has been conducted particularly for the industrial or consumer goods industries irrespective of their location or nature. Service providers have not been included in the scope of the present study.

The next part of this chapter deals with the **hypotheses** of the present study. Total nine hypotheses have been formulated which are divided into three sets. These three sets of hypotheses have been framed with the help of detailed analysis of three case studies related to 'Titan Watches', 'Reliance Textiles' and 'Sears'. These hypotheses are as follows:

H1 (a): Marketing audit leads to better product positioning.
H1 (b): Marketing audit leads to better product promotion.
H1 (c): Marketing audit leads to better distribution and logistics.
H2 (a): Execution time in the audit process will improve the overall positioning.
H2 (b): Execution time in the audit process will improve the promotional strategies.
H2 (c): Execution time in the audit process will improve the overall distribution.
H3 (a): Marketing audit leads to better marketing communication.
H3 (b): Marketing audit leads to better market share.
H 3 (c): Marketing audit leads to better portfolio management.

All these hypotheses have been statistically tested on the basis of primary data collected from 50 respondents. Since, marketing audit is a matter of strategic decision; hence, data have been collected from top executives (like CEO, MD, General Manager) of those organizations which actually practices the system of marketing audit. Sample size has been restricted to 50 and the technique of judgmental sampling has been used.

A structured questionnaire containing all close-ended questions has been used for the collection of data. The questionnaire is divided into two parts - Section A and Section B. There are 26 questions in Section A and it is related to two criterions 'Success' and 'Priority'. Section B contains 12 questions and this section belongs to the criterion of 'Timescale'.

The 'SPSS' software has been used for the statistical analysis of the primary data collected with the help of the questionnaire. Descriptive Statistics and Symmetric Measures have been calculated for the available data.

Since the collected data is on ordinal scale, hence, non parametric test, i.e. Spearman Rank Correlation test has been applied for the testing of hypotheses. Pearson's r has also been used for the other part of the questionnaire. Since, the sample size is small, (n = 50) hence, to further check the validity, t-test has also been used. On the basis of this statistical analysis, it has been found that all the nine hypotheses have been accepted. It proves that marketing audit leads to better product positioning, promotion, distribution, marketing communication, market share and portfolio management. The significance of marketing audit as a key factor in the success of a company has also been statistically studied.

3. Findings

On the basis of statistical analysis in the fourth chapter, interpretations have been drawn and suggestions are made in the *fifth* chapter. The general findings of the present research work are described below:

- It is quite evident from the available literature that the process of marketing audit is applied in various commercial, social and industrial organizations. But one thing is also clear from the survey of literature that the process of marketing audit is adopted mostly by the industrial enterprises of foreign countries, especially western countries. There are only some Indian business organizations which conduct marketing audit regularly.
- There are many such consultancy firms which are specialized in conducting marketing audit on behalf of their clients. But one thing is also clear from the survey of literature that there is lack of such specialized agencies in India. Therefore, most of the Indian companies which conduct marketing audit, they do it themselves without the help of any outside specialized agency.
- On the basis of statistical analysis, following **findings** have been found out:
- When the process of marketing audit is adopted by a business enterprise, it helps in improving its product positioning. One of the reasons behind it is that marketing audit emphasizes on specifying clearly the quality of the products or services of the concerned company.
- When the process of marketing audit is successfully applied to a business enterprise then it helps in improving the product promotion strategy. The reason is that when a company is aware of its competitors and the nature of threat from the competitors (through the process of marketing audit) then it is in a position to design its promotional strategies in such a way which can face the challenges of the competitors. In other words, such promotional strategies can be adopted by the concerned company which shows excellence or superiority of its products in comparison to the products of its competitors among customers.
- The position of distribution and logistics of a company can be improved by the successful implementation of marketing audit.

When marketing audit is applied, then company's contribution to distributor's revenue is considered among different channels which help in improving the distribution position.

- Time is the most valuable thing in the business world. It should not be wasted at any cost. For improving the overall positioning, promotional and distribution position of the company, marketing audit emphasizes on following points through which timely actions could be taken:
  - ♦ Proper identification and assessment of target markets prior to making visits.
  - ♦ Division of products into obsolete and surplus categories at the time of exploring overseas sales opportunities.
  - ♦ Analysis of reasons for not fulfillment of estimated sales deals.
- When the process of marketing audit is adopted by a company, it helps in improving its marketing communication. One of the reasons behind it is that marketing audit emphasizes on ensuring the fact that all company personnel are aware of their potential to support the sales effort.
- Marketing audit helps in increasing the existing market share of the concerned company. The reason is that marketing audit emphasizes on conducting customer attitude surveys regularly and thereafter the results of these surveys must be included in the marketing strategy. It is obvious that if a company formulates its marketing strategies according to customers' attitude then it will certainly be able to tap more customers and enhance its market share.
- As a part of marketing audit, when customer attitude surveys are conducted regularly, proper evaluation of company personnel is done, all forms of resistance to sales are analyzed and acted upon, reasons for competitors' successes are analyzed, and then all these factors help to portray an efficient successful image of the company in front of customers. In other words, marketing audit helps to improve portfolio management.
- The most important result which has been obtained from the present study is that marketing audit is a key factor in the success of a company.
- It has been observed from the responses given by the respondents in the priority criterion of the questionnaire that top ranking personnel of companies give a high priority to the practices adopted by marketing audit.

4. Suggestions

In the present research work, following suggestions are made for improving the performance of marketing audit:

- Attempts should be made for popularize the concept of marketing audit among Indian companies.
- It has been observed during the present study that there is lack of such organizations or consultancy firms in India which are specialized in conducting marketing audit on behalf of their clients. Hence, such type of firms should be established so that the process of marketing audit can be done with more efficiency and transparency.
- Customers' attitude towards the complimentary or substitute products also has a significant effect on the company's products. This aspect has not yet received due consideration. Hence, this aspect should be carefully analyzed.
- If at the time of preparing advertisement campaigns for the company, cooperation of other companies can be obtained then it will be certainly beneficial to the company. Hence, such type of opportunities should be sought.
- The marketing audit should also be a creative force, and the auditing process must embrace and facilitate such creativity. Checklists and other such tools are merely a means to this end and not end in themselves.
- Completing a marketing audit does not automatically imply that what the auditors consider to be the appropriate actions will be taken by the client. Allocate, schedule and monitor are the key words for facilitating action.
- The Marketing Audit process should be committed to improving strategic decision making when companies are faced with specific business challenges.
- In the context of marketing auditing, benchmarking may create a new role for the auditor in terms of identifying parameters and suitable organizations against which comparisons can be made.
- Marketing audits are an essential activity for organizations to perform on a regular basis to determine what market or markets they are in, who their customers are and what marketing activities are being performed and with what results.

5. Limitations and Area for Further Research

- The whole study was India centric. The Universe, Sampling Design and questionnaire were so designed so as to study the perception of Indian Organizations. It would be interesting to study the perception of international consumers.
- Consumers' change of tastes and preferences, accelerating technological breakthroughs, and the increasing intensity of competition in many and especially growing industries necessitated a change of attitude and direction by some companies to incorporate more attacking and defensive measures in the planning and implementation of their marketing efforts. Study of marketing audit in this changing scenario can be an interesting area for further research.

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