



# Marketing Audit

## *A Powerful Management Tool*

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for the benefit of Management Students

**In** an increasingly complex and ever-changing world it is getting difficult for senior management to know clearly how effective the marketing operation is without some form of regular monitoring. Results speak of what happened, not why it happened and so do not indicate the specific remedial measures required.

From time to time, companies, must therefore take a hard look at their overall marketing effectiveness. An exercise of this kind stretches well beyond carrying out routine marketing control checks. It falls in the purview of a relatively modern, and yet, very powerful tool called **Marketing Audit - a comprehensive, systematic, objective and critical evaluation of all the key facets of a company's total marketing operations.**

### THE STARTING POINT

The primary objective of marketing activity is to supply 'value satisfaction' to the market at a profit to the company. The natural starting point for a marketing audit is, therefore, to establish the kind of value satisfaction needed by the various levels of the marketing system and how well the same are being catered to by the company vis-a-vis the competition. Perception surveys can provide such relative performance ratings with respect to the four Ps of marketing **product, price, place (distribution) and promotion** — offered by the company to its markets.

The first stage in a perception survey is to define the various groups of people figuring in the marketing process. These normally include the consumers or end-

users, the actual buyers, the marketing middlemen, the specifiers who prescribe or influence the buying of the product and, where applicable, customers who purchase the product for incorporation in their own end-products.

Thus, a paediatric tonic manufacturer may have to evaluate the perception of the children (consumers), housewives (purchasers), retailers (middlemen) and doctors (specifiers). Statistically valid samples of each of the relevant groups should be identified and asked to specify their current needs or purchase criteria in order of priority. The respondents are then asked to rank the competitive offerings in terms of how well they satisfy their requirements. The assessment thus obtained gives an overall picture of the total marketing mix and forms one of the bases for a marketing audit.

The contribution of the marketing activity to the commercial objectives of the firm must then be assessed, using as yardsticks the corporate targets and budgets. For instance, the target profit, sales by revenue and volume, margins, market share can all be used to appraise the marketing performance and are particularly valuable when broken down by product, market segment and region.

Using the external standards of the marketplace and the internal criteria of the firm as a platform, the marketing audit can now take off.

There is no standardized format for a marketing audit. Every firm should design the type of marketing audit most appropriate to its own needs. However, each audit

should cover at least six major aspects of the marketing operations viz. the objectives, policies, organization, methods, procedures and personnel. The total review could be divided into three parts: **marketing environment review, marketing systems review and marketing activity review.**

Marketing environment review calls for a thorough analysis of the company's current and future 'macro-environment' comprising demography, economy, technology, culture and politics as well as the 'micro-environment' consisting of the key consuming markets, competitors, marketing channels etc. The marketing auditor critically examines the company's comprehension of the opportunities offered and threats posed by the environment, and whether it has taken adequate steps to harness the former and counter the latter. For instance, the auditor will raise an alarm if a company manufacturing luxury goods such as prime cosmetics, has not taken adequate steps for appropriate diversification programmes if it is operating in a market with falling income levels and thus is facing a continuously shrinking market.

## IN-DEPTH ANALYSIS

Marketing systems review encompasses objectives, marketing strategy and the manner of its implementation. The marketing auditor should examine the validity and clarity of the organization's marketing objectives, whether they are stated in hierarchical order and in a form which will permit proper planning and evaluation. He further examines the appropriateness of the marketing strategy and the adequacy and optimality of marketing resource allocations to various elements of the marketing mix. He then scrutinizes the strategy implementation programmes and procedures, control systems as well as the structure of the marketing organization of the company and the competence of its members.

Marketing activity review covers the four Ps of the marketing mix mentioned earlier. The general health of each product and the product mix, the pricing objectives, the alternative methods of distribution available, efficiency standards of the sales personnel, adequacy of the procedures for setting sales quotas and evaluating performance, clarity of advertising goals, the advertising budgets and the actual campaigns, and sales

promotion campaigns are some of the areas the marketing auditor will have to analyse.

It is often the basic premise upon which the marketing activity is founded that really needs a review, rather than the sophisticated veneer of marketing tactics. Operational problems can often distract top management from the more fundamental issues such as whether the product is so uncompetitive and unsatisfying to the market that even the best of promotion can make only little difference and what is really required is a complete redesign or replacement of the product. One of the significant contributions periodic auditing can make is to identify such issues early enough for top management to take appropriate action.

## EXTRANEOUS FACTORS

The marketing audit will also often reveal the need to examine other areas of company operations such as production, finance, or even general management. It is not uncommon to find cases, for instance, where the effectiveness of marketing activity is seriously impaired by the inability of the production department to cope with the quality or delivery schedules required by the customers.

Even where the relationships between the various functions are working smoothly, it can be worthwhile extending the marketing audit to examine how these interfaces could be made even more productive. For instance, minor rebalancing of the product mix from the marketing point of view can often yield significant production savings. Similarly, a slightly modified promotional activity to flatten a seasonal sales pattern may achieve substantial cash flow advantages.

In short, marketing audit is a powerful tool by which the marketing chief can **truly assess the competitive effectiveness of the marketing activity of his firm and provide a sound basis for any future redirection or restructuring** to accomplish corporate objectives more effectively.

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