“The Effect of Marketing Audit to Enhance Company Performance and Marketing Accountability”

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This article points out the benefits of using marketing audit to measure a company’s performance, growth and marketing expenditure. That is, it would measure return on investment and search deviation marking budget with its actual performance. It suggests the use of the marketing audit as a facility that can assist with the establishment, maintenance and management of market orientation strategy. Audits are usually being performed in financial departments today due to the negligent manners of top executives. But careful looks must be needed at marketing investments as it is a vital field for scrutiny. A marketing audit would measure profit and loss for marketing strategy just as an accounting audit does. After a theoretical study, researchers have suggested some recommendations to the Industries for the growth with measuring marketing performance.

Field of Research: Marketing

1. Introduction
To serve the main purpose of this paper authors have to define marketing as “Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably” (Chartered Institute of Marketing). “Marketing” as “meeting needs profitably” (Kotler and Keller, 2006). In other words “marketing” here refers to what the whole company does to satisfy customers and thereby create shareholder value. The point is that, Marketing can be thought of as a mixture of all these activities of advertising, promotion, publicity, deciding the look and feel of the product, how it will be sold and sent to the consumer etc. that will get the consumer to buy your product. For succession, organization is to make marketing budget. A marketing budget is an estimate of projected costs to market products or services. A typical marketing budget will take into account all marketing costs that would help compare for measuring performance by using the new term marketing audit.

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The marketing audit has been defined as “a comprehensive, systematic, independent, and periodic examination of a company's or business unit's marketing environment, objectives, strategies and activities with a view of determining problem areas, opportunities and recommending a plan of action to improve the company’s marketing performance” (Kotler, Gregor, and Rodgers, 1977). The marketing audit technique provides not only information but also knowledge and insight (Mehdi Taghian and Robin N Shaw, 2008). It can examine the sources of intelligence, in terms of their accuracy, regency, and adequacy; review the internal intelligence dissemination process effectiveness; and assess the organizational responsiveness in terms of speed and relevance.

2. Rationale of the Study
Marketing accountability is the responsibility for the systematic management of marketing resources and processes to achieve measurable gains in return on marketing investment and increased marketing efficiency, while maintaining quality and increasing the value of the corporation (American Marketing Association 2005). The assessment of the contribution of marketing to firm performance in this broad sense has become a major issue (Bahadir and Tuli, 2002; Bruno, Parthasarathi and Singh, 2005; Debruyne and Hubbard, 2000; Morgan, Clark and Gooner, 2002; Rust, Lemon and Zeithaml, 2004), but views are polarized. One extreme argues that the ultimate purpose of marketing is to improve shareholder value and that marketing performance should therefore be judged by some single financial indicator. In order to get the expected and realistic marketing performance, somehow, organization should practice MA. To find out new opportunities and avoid emerging threats, maintain performance consistent with expectations and solve the specific problem, marketing audit is one of the important things.

3. Objectives of the Study
This paper has provided the background for an intensive review of each elements of the company’s marketing mix, with specific guidelines to examine of each mix component for measuring and evaluating the performance. The main objective of the study is to know, how marketing audit is done with its performance, growth and accountability. To cover this main objective, the researchers have selected following specific objectives:

1. To depict the literature review showing the works so far done home and abroad.
2. To have focus on the existing development as to how marketing audit is in practice in an organization.
3. To assess the organization’s relative success in adapting to the requirements of a home and global market place.
4. To examine the role of marketing audit as a critical strategic tool for the 21st century.
5. To put forward some probable measures or recommendations in marketing audit areas that might be taken by the strategic level management to enhance the capability of an important strategic control tool.
4. Methodology
Much that is written about the marketing audit draws on the seminal work of (Kotler, 1977, Naylor and Wood, 1978) and (MacDonald, 1982). This body of work describes a rather mechanical approach to the collection and interpretation of data that seems to have universal applicability, even if the authors never intended it to be so. Whilst applauding this early work, the author’s believe that there is no single set of procedures that works best for all marketing audits in all organizations, at all points of time and space. A theoretical frame work of applying marketing audit has been outlined from available literature in this respect used as a secondary data. And, by this way researchers have translated findings into recommendations and conclusions.

5. Literature Review
The marketing audit first introduced by (Abe Shuchman in 1959) but formally introduced to the marketing literature is “Marketing Audits” in theory and practice, which focused on defining the domain of marketing audits (AMA, 1959). Due to the development of concepts and technologies some pitfalls have been arisen. In order to avoid such pitfalls, the scope of a marketing audit should address the entire marketing function due to the interrelationships among the functions. A three-step process by which a marketing audit could be conducted was proposed: (1) Marketing environment review. (2) Marketing system review (3) Detailed review of specific marketing areas (Tirmann, 1971).
To effectively conduct a marketing audit, an internal audit department or an outside consultant were envisioned as auditor. All companies need to review, with a marketing audit, their marketing operations from time-to-time to ensure that they are in line with the changing environment and emerging threats and opportunities (Kotler, 1976). In the first instance, agreement must be reached among company officers and the auditors on the objectives, coverage, depth, data sources, report format and the time period for the audit (Kotler, Gregor & Rodgers, 1977). Gathering data is the second critical process in conducting of a marketing audit and is likely to consume the greatest part of time allocated to the audit.
The marketing auditor provides the framework and findings, but it is the process through which managers assimilate debate and develop their own concept of the needed marketing actions that is most desired (Kotler, Gregor & Rodgers, 1977). (Kotler, Gregor, and Rodgers, 1977) provided a framework for the conduct of the marketing audit and indicated the various organizational choices for conducting it, highlighting the potential problems existing in conducting an audit.
The benefits of using the marketing audit and implementing its recommendations lie in perceptions of its ability to influence a change in business performance (Clark, Abela, and Ambler, 2006). (Rothe, Harvey, and Jackson 1997) State that the marketing audit, ideally, should be conducted with a standard set of procedures similar to a financial audit. According to (Kotler, 1997) the marketing audit should address six areas of a company’s marketing situation, including macro and micro environments, marketing strategy, marketing organization, marketing systems, marketing productivity, and marketing functions. According to (Wilson 1993) the auditor should use the marketing audit checklist to collect data on a company’s marketing operations and then compare
the results to a set of benchmarks or expectations that have been developed for the industry and the firm. Accepting the logic of the marketing audit, it may be justifiable to expect that the comprehensive, systematic, independent, and periodic examination of the organization’s marketing function will, potentially, lead to early detection and awareness of existing or emerging marketing issues that may influence the organization’s business performance (Brownlie, 1996). Therefore, it may be expected that the usage of the marketing audit is related more strongly to the increase in market share; a predominantly marketing influenced performance, than to the increase in overall financial performance, which may reflect the wider organizational business initiatives. Moreover, if the usage of the recommendations arising from the marketing audit can be expected to, potentially, contribute to increased organizational performance; it may also be reasonable to expect that nonusers of the marketing audit’s recommendations will not experience the extent of change in performance that its users do (Mehdi Taghian and Robin N Shaw, 2008). To analysis the Strategic Business Unit (SBU) (Jaworski and Kohli, 1993; Menguc and Barker, 2005; Gilmore, Carson, and Grant, 2001) indicate that in small to medium enterprises (SMEs), marketing is haphazard and informal and that networking is the main method of conducting marketing in smaller companies. The results show that implementation of the recommendations of the marketing audit correlates positively with change in market share \( r = 0.27, p < 0.01 \), but does not correlate with change in the overall financial performance. Admittedly, the correlation between the conduct of the marketing audit “periodically” and the change in the market share is not large. However, it is statistically significant. (Mehdi Taghian and Robin N Shaw, 2008).

(American Marketing Association, 2005) identifies six “ROI Measures Currently Used” on marketing accountability i) Incremental sales revenue ii) Ratio of cost to revenue iii) Cost per sale generated iv) Changes of financial value of sales generated v) Cost of new customer vi) Cost of old customer retention. But (Tim Ambler and Roberts 2008) claimed that no one of these six is actually ROI. Consider a recent study by the CMO Council that found less than 20% of top technology marketers surveyed had developed “meaningful, comprehensive measures and metrics for their marketing organizations.” The last major study on marketing ROI found that 68% of marketers were unable to determine the ROI of their initiatives.

If shareholder value itself is not feasible, because it is confounded by too many other factors, then discounted cash flow (DCF) or return on marketing investment (ROMI or ROI) should be used. DCF is regularly reinvented and re-presented variously as net present value (NPV), brand valuation (Perrier, 1997), customer lifetime value (CLV), (Venkatesan and Kumar, 2004; Gupta and Lehmann, 2005), and customer equity (Rust, Lemon and Zeithaml 2004). (Tim Ambler and Roberts 2008) addressed the selection of metrics for the purpose of assessing marketing performance and why any single silver metric is inadequate. They found six objections to the use of ROI in this context and can find no justification for using it or its variants. The fact that NPV, customer lifetime value, brand valuation, and customer equity are all labels for the same discounted cash flow (DCF) technique may not be widely appreciated but it allowed considering them en bloc. Somehow the succession of MA is related to environment practice and the practice environment is the real world in which firms operate. As a part of marketing
environment, Marketing Professional Services Plan (MPS) audit will identify strengths, weaknesses and opportunities. The next step is to develop a marketing plan and audit which, along with other practice management activities, can assist in improving client retention, growth and profitability. The marketing audit must determine the effectiveness and efficiency of the marketing effort for each environment in which it is operating and then develop a composite picture of the marketing effort for the international dimension as well as the domestic operations.

6. Findings and Analysis
The findings of the study followed by analysis are presented below:

Existing development of the marketing audit practice in organizations
Over the past few years, many high technology and other companies were blind-sided by the economic downturn and did not know how to react. When some firms finally figured it out, it was too late. Jobs were lost, budgets slashed, market share lost and company value diminished. So, of all times to stop investing in activities designed to sell more due to luxurious cost and yet companies do it all the time with a little bit thinking. Further, limited internal resources are causing increasing competition between marketing and other departments. Companies are looking to increase their new prospects while shortening the sales cycle by improving the marketing efforts without increasing the budgets for the separation of top level management and marketing custody. So organizations are trying to keep and establish the marketing leg into the new phenomena which is called MA in the world. Marketing department is separated but marketing budget is not so. As a result of that, it is difficult to implement MA in the organization properly.
Specific industry applications for the MA appeared during this ERA with the use of the MA by three major insurance industry companies (MONY Financial Services, The Principal Financial Group, and Sun Life of Canada) which resulted in highly favorable results (Mann, 1990). Some developed countries in the world used MA for the test of essence of MA. The traditional approach of MA is to interviews was conducted with management to focus and shape but during this ERA, computerized marketing audit (CMA) is presented as a comprehensive, logically consistent, computer driven, communicable appraisal of past and future marketing plans. CMA acting process is to participants proceed through the audit process by responding to questions, reported results, and the like via their PC which is networked to provide individual and aggregate result on each aspect of the audit process. And by this way Canada, Australia, USA, UK and like other developed countries trying to establish MA concept in the organization but not for mandatory mode.

Organizational success after introducing marketing audit.
Research is done to provide a new concept that can be used for the betterment of the organization or the human being. Marketing audit is not behind that. As in a financial audit, any "standard" audit program format has its limitations. The marketing professional services (MPS) audit that follows is no exception. That is MA no specific standard by which audit can be performed. If it is practiced, organizations are able to reach to the hill of the goal by the way of increasing the market value of the share and
the company’s overall financial performance. A MA is a thorough examination and evaluation of marketing practices and results. It offers a baseline for performance measurements and a framework for effective business planning to maximize positive external perception and demand generation as well as minimize the internal conflict regarding marketing activities. Mehdi and Robin have presented the following scenario for the success of using marketing audit. Where

![Diagram](image)

Source: (Mehdi Taghian and Robin N. Shaw, 2008)

The role of marketing audit as a critical strategic tool for the 21st century.

The goal of the MA is to improve the overall marketing efficiency by presenting a correlative action plan to management. Marketing audit helps to examine all the activities which have been stated in the budget are done accurately with true and fair view or not. How should the MA be enhanced to ensure its use in the future? There appears to have five areas which need to be addressed in the MA for the 21st century: (1) globalization of the MA; (2) support for the marketing controller position in the organization; (3) incorporation and measurement of the ecological efforts of the marketing programs in the organization; (4) integration and periodic and continuous marketing control efforts to provide a seamless control mechanism; (5) broadening the MA concept to focus on resource management and control. Marketing audit may match between the internal capability of the organization and the external market dynamics. The audit can become a blunt and divisive ideological weapon in the hands of the unwary or ill-prepared. This is why, any organization looking to employ an external consultant to perform a MA should, therefore, look for intervention capabilities too. Therein lays another danger of one-off MAs they can become associated in the minds
of employees as signaling serious management concerns, or as weapons which management use to justify a course of action it has already decided to pursue anyway. As a result they are always under the tension and someone may have left to assist the auditor to conduct audit.

7. **Recommendation**

To fruitful the aim of MA, the first type is a short-term action plan can be implemented which involves improvement of current operations, while the second type is more strategic in focus and is integrated with the corporate marketing plan. Empirical research needs to examine the performance in the context both of evaluating MA and marketing planning & performance. Frequent communication between the auditor and the company executive who hired the auditor may be effective solution for auditing. This study recommended that uniform procedure for the conduct of the marketing audit may be beneficial. Study may increase the specialization aspects and credibility of the conduct of the MA in the future. Finally, it is unclear why marketing scholars have not investigated the usage of the MA previously. How organization introduce marketing audit internal is the organization that also might be investigated.

But still it is not accepted by all as a marketing audit like financial audit. There is no evidence of the difference between the types of audit method used in conducting the MA in relation to the change in marketing performance indicator, firms may choose to apply their, arguably, less costly internal resources to conduct the audit in case of initial and small and medium organization. The regular conduct of MAs can help to make them less threatening and to position them correctly as another instrument of collective management control and decision-making which subjects all aspects of an organization’s marketing activities to scrutiny. Yearly, semi-annually, and monthly audits can help marketing executives and management but it is suggested that it can be conducted periodically rather than when a specific marketing problem arises. So this paper recommended doing so and establishing the complete MA system by external expert for all case and all areas instead of require audit by internal.

8. **Conclusion**

The MA should not be perceived as the only control mechanism that should be used in assessing marketing performance. This paper has discussed a marketing audit with it accountability & performance based on theoretical concept. Like all other managers, marketing manager will spend much of their time fighting fires with scant resources and trying to usurp fate’s greatest efforts to spoil their best laid plans. Researchers revealed that in order to measure the efficiency of targeted sales, they had to fixed the target and after a certain time, actual sales is examined with the targeted sales and by this, it is audited. On the other hand some organizations continuously examine their marketing planning and activities which is called performance appraisal. Actually, the performance appraisal is used in organization to measure the performance on behalf of MA. There is a body that involved executing performance appraisal as like MA partially. But this is not enough, if it is audited then it would involves comprehensive, systematic, independent, and periodic examination of a company’s marketing environment, objectives, strategies,
and activities with a view of determining problem areas and opportunities and recommend a plan of action to improve the company’s marketing performance. All the marketing cost are accountable to the budget of the organization, on the other hand marketing departmental employee are liable to the organization. Having separate marketing department it has no separate budget for that commonly, while few organization applying to do so. There is a myth that the marketing audit is a neutral analytical device which somehow escapes the manipulation of people within organizations who seek to advance their interests in the light of their own perceptions.

For auditing there is an adverse impact, managers who believe they are affected by the audit will feel threatened by the auditor and may not fully cooperate. A lack of cooperation by the key managers could hurt the auditor's effectiveness. Marketing audit does not automatically imply. So audit should have sense that what impact the auditors think their findings must have in order for the client to take what they say seriously. And after getting the auditor’s findings, top level marketing management take the necessary action to remove the problem which was the reasons for not achieving the target and they can prepared their future plan as well. So it is easy to understand that, by this, any company’s growth will be higher. This paper has attempted to show that this can never be so for various reasons, but most importantly because the auditing process does not end with diagnosis. However, diagnosis should be quartered or remove as much as possible from the root.

**References**


