

The Role of Market Analysis in Developing Efficient Marketing Audit

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Abstract

Marketing Audit is an instrument which measures the value, risk and effectiveness of marketing efforts. It is one of the most important stages in the planning process by assessing the current situation and potential of the company in terms of marketing. To achieve an effective marketing audit, the auditor should first know the market in which the company operates. This article thus aims to identify the main stages in market analysis indicators that will be used for a comprehensive analysis to allow companies to establish proper marketing strategy.

Keywords: Marketing Audit, Market Analysis, Marketing Strategy, Segmentation

Introduction

Marketing Audit is an important component of strategic marketing planning. Strategic marketing planning goal is to identify and create competitive advantage, is a logical sequence and also includes a series of activities leading to setting goals and formulating marketing strategies and tactics to achieve objectives with financial consequences resulting from applying the proposed strategies. (McDonald, 2007). Marketing audit is a comprehensive analysis of periodic, systematic, independent of the environment, the company's strategic marketing units, objectives, strategies and concrete actions in order to determine their opportunities and threats and to recommend an action plan to improve company performance (Kotler, Keller, 2009).

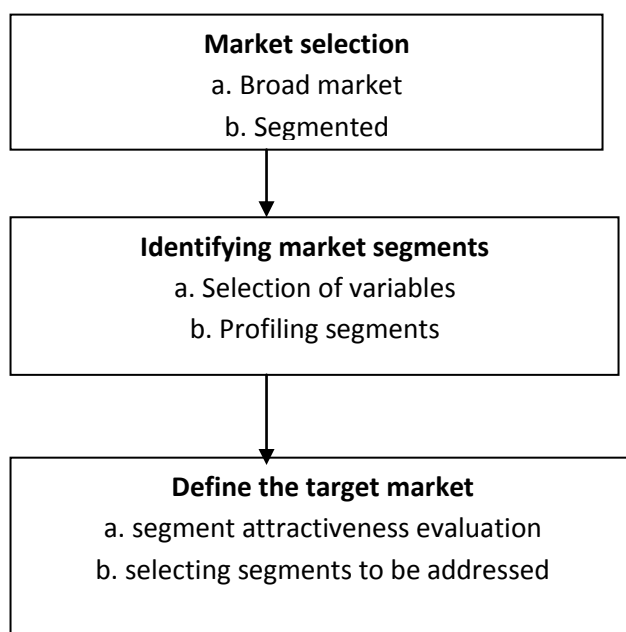
Conducting marketing audit is to analyze and evaluate the main factors underlying rationale and implementation of the marketing strategy of the company. Specialists consider that the starting point of the audit is the market in which the company operates, changes that occur at this level expressed in terms of opportunities and threats.

For a comprehensive analysis of the market that the company does, it is necessary to consider: market definition, market segmentation, target market identification, market trends, etc.. Is used as the main tool of analysis of Michael Porter's five forces, SWOT analysis, etc..

Definition And Market Segmentation

Market analysis should be based on market definition, the auditor should clearly clarify the market that the company is declared unable to address in terms of its size and complexity. From this point of view, the company may choose to approach the market as a whole or only certain market segments.

Market segmentation involves identifying those parts of the market that the company is to act. Before the segmentation process, it is necessary to establish the market in which the company holds a dominant position and is a major player after they are established criteria for effective market segmentation. In the process of segmentation should be established a hierarchy of criteria by which this is achieved.



Sursa: Parmerlee, D. – Auditing Markets, Products, and Marketing Plans, NTC Business Books, Chicago, 2000, pag. 3

Marketers recommended that the market analysis process to begin with the realization of market research to assist the auditor to identify, define and analyze consumer products company and similar products in the selected market (Parmerlee, 2000).

Segmentation is performed by different criteria, some descriptive - geographic, demographic and psychographic other behavior. Whatever segmentation scheme used is important that this process should result differences between consumers (Dumitru, 2004).

Geographical segmentation according to this market is divided into geographical units (countries, regions, cities, areas and so on). The company can only activate one or more areas but must identify differences.

In the audit process should be selected primarily the geographical area that you want analyzed, which is assigned a code for easier use and higher geographic levels, because they provide a basis for reporting and helps the auditor to select geographical areas with which to compare the target market of the company. Determine area can be achieved by the auditor for each product or product line if it considers it necessary.

Demographic segmentation - after defining the exact market area, the auditor should identify customers in these areas in terms of demographic characteristics (some of which are derived from statistical sources) - by gender, age, marital status, education, occupation, ethnicity, income, type of household. Companies are also several databases with variables and attributes that can be used in market segmentation. To identify and visualize the best way segmentation was done in the company and to have a comparison tool, the auditor may use certain lists / tables in which data will be inserted according to the criteria taken into account.

Psychographic segmentation - identify and measure personality, lifestyle and consumer values. In market analysis in terms of psychographic segmentation may be used depending on the needs and profile of the company following Variables leisure activities, food preferences, financial behavior, etc..

Segmentation by consumer behavior - the auditor divides consumer groups according to their knowledge and experience which is based on the traditions of the area, as well as religious or legal restrictions may occur in different states (Radulescu, 2011), attitude, usage and response to products and services offered by the company. Many products offer similar benefits in similar markets, which is why the purpose of this analysis is to evaluate a product with similar features its own product to determine the possible evolution of the product on the market.

Determination of Target Market

Following segmentation according to the criteria mentioned auditor should determine the target market, based on the evaluation of various combinations of the variables listed, because not all segmentation schemes can be useful. To be used, the auditor should determine whether the market segments served by the organization and will act meet the following criteria (Kotler, Keller, 2009):

- ✓ Measurable through indicators that provide information about the size, purchasing power and other characteristics;
- ✓ Substantial segments are chosen large enough (include a homogeneous group of people as much
- ✓ as possible) and profitable;
- ✓ Accessible, segments can be effectively addressed by the company's marketing;

- ✓ Differentiated segments chosen as respond differently to different marketing mix elements;
- ✓ Affordable, segments can be drawn through effective marketing programs.

Also, the evaluation and selection of segments that the company does need to take into account both their attractiveness (size, growth potential, profitability, economies of scale, minimum risk) and the objectives and resources available (some segments considered attractive may not correspond with long term goals of the company). Following evaluation of each segment, you can choose the target market choice with five options:

- ✓ Focus on one segment - the company better serve customer needs and achieve economies through specialization of production, distribution and promotion, there are also risks of market saturation or entering a new competitor.
- ✓ Selective specialization, are selected among several attractive segments that may exist or not connecting the advantage dissemination strategy risk;
- ✓ Product specialization, company addresses some segments with a single product, the disadvantage is that the product can be removed at a time as a result of new technologies;
- ✓ Specialty market, the company may choose to meet more needs of a well defined group of consumers, the company enjoys a very good image in the market and become a leading provider for a range of ancillary products, there are also risks saturation or the decrease in revenues.
- ✓ Addressing the entire market - companies aim to address all customer segments through two strategies: an undifferentiated marketing or differentiated marketing. In the differentiated marketing organizations ignore the differences between market segments and offer one that re will enjoy a very good image among a large number of customers and is based on an extensive distribution and promotion supported.

Differentiation may focus on a broad market appeal or on a specific market segment. The choice of market scope has important implications for the orientation of demand analysis. (Grant, 2002)

Establishing Market Size

Identified target market should be defined and in quantitative terms. Thus market size is the number of buyers that may exist at a particular time offers, identifying the following forms. (Kotler, Keller, 2009)

Potential market that refers to the maximum amount of product that can be sold to a group in a defined geographical area for a certain period, in some circumstances the marketing environment, establishing the potential market of the company is to be determined based on market full potential.

Estimated market corresponds to the total volume of products that the company aims to sell in a certain period of time in a well-defined geographical area in a given environment of marketing, sales forecasting company should be made taking into account the efforts marketing company and competitors.

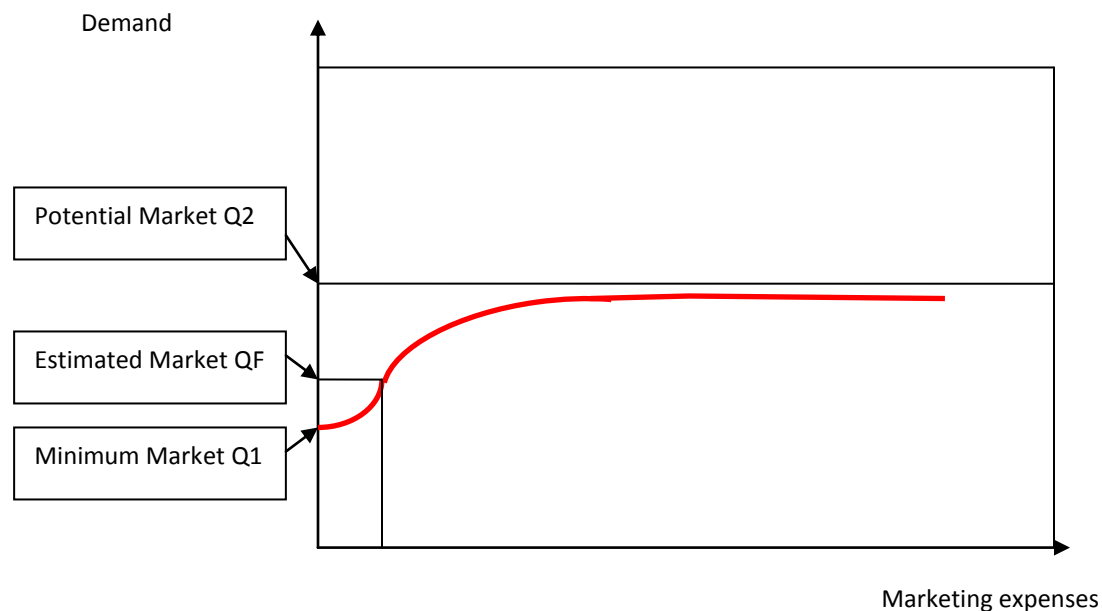


Fig. 1 Potential market and estimated market

Source: Kotler, Ph., Keller, K.L – Marketing Management, 13th edition, Pearson International Edition, pp. 151

Distance between the minimum market and the potential market demand reflects sensitivity to marketing efforts, but also it depends on the type of need that product satisfies - primary or secondary / tertiary.

It is therefore necessary to compare with the current level of demand potential, which is called the market penetration index. A low value of this index indicates a substantial potential growth for all firms, a high value indicates that in order to attract potential consumers efforts are supported.

The company also must compare and current market share with the one projected.

Before to determine the potential market and expected for some time, every company needs to know its competitors and estimating their sales, to determine what is its place in the market. Based on information obtained about total sales in the industry and competitors, the company can evaluate its performance in the market. Market share should be calculated for each segment, each product and the range of products (Parmerlee, 2000).

In analyzing market growth rate is necessary to establish and market saturation point, ie when the forecast total sales in the market will reach its maximum level. Because companies must allocate marketing budgets optimized various operating areas must also be estimated and market potential in different areas - cities, regions and countries. In this respect, Kotler proposes two methods:

Method of construction market is business to business sector and involves identifying all potential buyers in a particular area and estimate their potential purchase; method has the disadvantage difficulty obtaining information.

Brand development index method is used on the consumer market. Brand development index shows the degree of development of the brand in a product category in a specific geographic area. It is calculated as the ratio between the percentage of brand development and rate of development of the product * 100, a low value of this indicator shows a greater opportunity to market the mark, which require a larger budget. Other specialists, conversely believes that bigger budgets should be allocated where brands have a strong market position to maintain customer loyalty and increase market share. In analyzing market developments should also consider other factors such as market life cycle and market fluctuations.

- ✓ **Market life cycle**, as for product and market through four stages in its evolution - launch (new market / growth slow) growth (recognized market / high growth), maturity (market used / growing steadily) decline (low market value);
- ✓ **Market fluctuations**, every market goes through some changes due to economic, cultural, political factors, so it is necessary to determine to what extent they affect the company's performance in order to determine which are periods of high sales and a decrease in sales;

Each market has certain risks. The main objective of the auditor is to implement a subjective situation objectively determine the chances of market success. One of the methods used for determining risk is to develop scenarios that may or may not materialize, based on a series of assumptions the evolution of risk factors (Parmerlee, 2000)

Estimating market developments should be based on forecasting macroeconomic indicators (inflation, unemployment, interest rates, investment, consumer spending, etc..), Followed by setting trends in the industry and then forecast sales company.

Establishing market trends are based either on information in the database and company reports or obtained from various external sources. The main methods of obtaining information are (Kotler, Keller, 2009)

- ✓ Purchase intention research is one of the most used methods for determining a product market developments, providing information on the product image, but also how to

present and future resource allocation individual / family, the expectations on the development economy;

- ✓ Sales force opinion research can have many advantages in estimating demand for a particular product or client area;
- ✓ Research among experts, valuable information is obtained from the experts - analysts, consultants, various associations, distributors, suppliers - as part of talks between the group and individual interviews.
- ✓ Methods for forecasting and estimating sales can be forecast based on statistical methods such as prediction methods for dynamic series, methods based on exponential smoothing methods for forecasting causal;
- ✓ Market test method to predict sales of a new product on the market or existing products using new distribution channels and new geographies.

Conclusion

Market analysis is a defining component of the marketing audit. This, along with the other components of external environment allows the company to identify opportunities and threats, and subsequently to develop viable marketing strategies. Also as part of the marketing audit, a proper analysis of the market by using various indicators of analysis is a tool that can report the company to conduct the audit process future.

For effective analysis, it is necessary to follow some important steps in analyzing market. The process starts with market definition that the company wants to do and ends with setting the target market and its trends.

An important step in the analysis is to determine the estimated market, in other words the size of the market in which the company proposes to achieve over a period of time and the potential market, defined as the size of the maximum possible achievable. This analysis gives the company the opportunity to properly define objectives in terms both amounts as the management and strategic business units.

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