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THE MARKETING AUDIT AND BUSINESS PERFORMANCE: A REVIEW AND RESEARCH AGENDA

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ABSTRACT

The popular marketing textbooks and the published literature overall deal primarily with the theoretical and practical aspects of the marketing audit without offering any rigorous empirical validation. The teaching of the marketing audit appears to be based on the logical expectation of its usefulness, isolated case studies, and anecdotal evidence. There is little indication of how, generally, the marketing audit is actually being used, the procedure in conducting it, and how the industry perceives and evaluates its benefits. The authors provide an understanding of the current status of the marketing audit, suggest a model for an expanded role of the marketing audit and propose a research agenda.

Keywords: Marketing Audit
 Marketing Planning
 Market Orientation
 Marketing Concept

INTRODUCTION

The objectives of this paper are as follows:

- To discuss the concept of the marketing audit and outline the current status of the practice of marketing auditing and the related concepts as reflected in the literature.
- To develop a research agenda to conduct an empirical study of the usage, and benefits of the marketing audit.
- To propose a more central, comprehensive, and continuous role for the marketing audit in the marketing decision making process.

Firstly, the current status of the marketing audit and the related concepts as reflected in the literature and the limitations of the existing literature are discussed. Secondly, some suggestions for future research are presented. Finally, a conceptual model of the antecedents and consequences of the marketing audit is presented. The marketing audit is conceptualized in a central intelligence and advisory role for progressively collecting and synthesising information, and providing specific recommendations to management for major marketing decision making.

THE CURRENT STATUS OF THE MARKETING AUDIT

The marketing audit is a generally accepted method of evaluation and a control mechanism of marketing performance. In 1967, Kotler dedicated a full chapter of *Marketing Management: Analysis, Planning, and Control* to the marketing audit and identified it as “something apart from and more comprehensive than the other control efforts of the firm” (p 594). Ten years later the publication of “The Marketing Audit comes of Age” (Kotler, Gregor and Rodgers 1977) was a turning point in the development of the marketing audit. It provided a definition that after twenty years still remains current. It also suggested the process and the organisation as well as the potential problems in conducting an audit. This work has become a major source of reference for many authors who contributed to the further development of the marketing audit (Brownlie 1996a).

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 (Sutcliffe 1975, Brownlie 1993, Kotler, FitzRoy, and Shaw 1980).

Although the basic premises of the marketing audit have remained as Kotler, Gregor and Rodgers (1977) suggested, many authors have contributed to the development and further refinement of different aspects of the audit. Brownlie (1993) suggested a strategic role for the marketing audit as an instrument of intervention and change. Many authors have elaborated on general parameters for a set of guidelines, to encourage uniformity and commonality in conducting the audit. The use of a structured questionnaire to assist with the collection of uniform information (Kotler 1993) and the use of a checklist of diagnostic questions (Wilson 1993, Brownlie 1993) have been recommended. The marketing audit has also been considered as a necessary part of the marketing planning process. It has been suggested that the scope and nature of the marketing audit need to be broadened to include a global perspective (Rothe, Harvey and Jackson 1997). Some authoritative writers on the subject (Kotler 1977, Wilson 1993, Brownlie 1996b) view the marketing audit as an instrument to judge an organization's overall commitment to a marketing orientation.

SOURCES OF INFORMATION

To cope with and to exploit the opportunities created by the rapid changes in the marketing environment requires a substantial amount of accurate, comprehensive and action-oriented information. This information needs to be continually collected, analysed, and disseminated to all managers in the organization who are involved in planning and contributing to the implementation, coordination and control of marketing activities (Jaworski and Kohli 1993, McDonald 1996, Reed 1992, Pulendran 1996).

Some of the management's needs for continually updated information is provided through Marketing Information Systems (MkIS) and Marketing Decision Support Systems (MkDSS). But these technologically assisted information sources, although providing a substantial amount of information, do little more than the processing of historical and current information. The proper use of these techniques as decision-making tools requires analysis and interpretation of the information by the user. The more advanced method, Intelligent Marketing Information Systems (IMkIS) incorporates the capabilities of (MkIS) and Artificial Intelligence to provide management not only with data, but action oriented information. This system, however, has its limitation in being too narrow and lacking in wide application as a decision making tool (Amaravandi, Samaddar and Dutta 1995, Buttery and Tamaschke 1995).

Additionally, to apply short term reactive measures only to combat immediate problems would not be in the best interest of the long-term viability of an organization. To assist with the understanding of the substantial changes occurring in the internal and external marketing environments needed additional tools and processes. A deep and objective look at marketing objectives, strategies, policies and organization on a recurrent basis (Kotler et al 1977) would be a way

to help managers to bring a company's offering in line with the market condition and expectations. The marketing audit, at the same time, can be an "efficient process for developing effective measures and actions" (Bonoma 1988, p39). The market volatility in the 1970's resulted in increasing awareness of, and interest in, the marketing audit by management (Kotler et al 1997).

The marketing audit is regarded as having four major characteristics (Kotler, Gregor and Rodgers 1977):

It should be **comprehensive** and broad in focus covering the entire marketing environment of the company.

It should be an **objective** exercise and independent of the managers directly involved in making the marketing decisions.

It should be a **systematic** and orderly sequence of diagnostic steps as compared to an unstructured and random investigation.

It should be carried out **periodically**. The marketing audit should be undertaken on a regular basis and not only when major problems arise.

Considering these characteristics, Kotler et al (1977, p 29) formulated a definition for the marketing audit that, after 20 years still remains current.

"A marketing audit is 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 and opportunities and recommending a plan of action to improve the company's marketing performance".

There is no consensus in the process of conducting a marketing audit (Brownlie 1996b, McDonald and Leppard 1991). Marketing auditors, therefore, need to improvise their own specific method of conducting an audit based on a given situation and a specific task at hand (Brownlie 1996b).

There has been a consistent attempt by writers in the field to introduce general and broad parameters to encourage uniformity in the implementation of the marketing audit. Many authors advocate the use of a series of questionnaires in conducting a marketing audit (Kotler 1997, Brownlie 1996b). The auditor can use structured questionnaires to collect uniform information from relevant internal and external sources.

Wilson suggests the use of a checklist of diagnostic questions. Wilson's marketing checklist (1982) was revised in 1993 and offers a comprehensive, but not exhaustive list of questions for the marketing auditor to use.

According to Wilson (1993), the auditor should use the checklist to collect data on a company's marketing operations and then compare the results to a set of benchmarks or expectations, which have been developed for the industry and the firm. This procedure also highlights the importance of establishing benchmarks.

The checklist, according to Brownlie (1996a), should be considered as a starting point and modified and tailored to suit the specific requirements of each audit situation. The major benefit of the checklist approach is to ensure that no important item is overlooked (Brownlie 1993).

Authoritative writers on the subject (Kotler 1977, Wilson 1993, Brownlie 1996) view the marketing audit as an instrument to judge an organization's:

- overall commitment to marketing orientation.
- extent to which marketing objectives have been achieved.
- appropriateness of the marketing strategic directions and tactical details.

Others have considered the marketing audit as a necessary part of the marketing planning process (McDonald 1984; Kotler 1988; Enis and Garfein 1992).

The major issue with the current use of the marketing audit, apart from the lack of an acceptable uniformity and consistency in procedure in conducting it, is that it is costly to conduct a full audit and, therefore, it may not be used frequently.

LIMITATIONS OF CURRENT LITERATURE

The literature basically deals with theoretical and conceptual aspects of the marketing audit. There are no contradictory views about the marketing audit's potential benefits. Since 1977 when Kotler, Gregor, and Rodgers published "The Marketing audit Comes of Age", there has been only further elaboration of the concept (McDonald 1996, Brownlie 1993). The contributions by some authors have also been concentrated on providing advice on the logical and anecdotal usefulness of the marketing audit by providing isolated case studies and examples as part of the marketing planning process (Solod 1996, McGlinchey 1996, Lemmon 1996, and many more).

However, there is an apparent lack of an overall empirical study, in the published literature, of the application of the marketing audit, its realised benefits in improving management's decision making effectiveness, and management's evaluation of the audit.

Some of the current textbooks being used in universities, present the marketing audit as a method of evaluation and a control mechanism and recommend it as a necessary part of the marketing planning process. However, there is no validation of the general practice of the marketing audit. The same situation exists in the major articles that have appeared in the marketing journals over the last few years. These articles predominantly describe and discuss the concept of the marketing audit and provide elaboration on different components and its related concepts. This situation is summarised in Table 1.

RESEARCH REQUIRED

The research proposed by the authors is designed to provide the information, which is currently lacking in the literature. The survey will provide a general assessment of the practice of the marketing audit in Australia. The results will reflect the actual planning for, conducting, and utilising of the results of the audit, as well as the overall benefits and evaluation of auditing by management. The research will also describe the existing relationships between the use of the marketing audit's recommendations in marketing decision making and the resulting changes in business performance. The existing practice of the marketing audit will be compared to the conceptual model, with comments and suggestions for further studies.

Table 1. The Marketing Audit in the Academic Literature

Author(s)	Year	Marketing Audit Coverage and Conceptual Framework	Main References	Empirical Evidence
Kotler	1997	Definition Marketing-Effectiveness Review Instrument Components of a Marketing Audit In chapter entitled Organising, Implementing, Evaluating, and Controlling Marketing Activities.	The Marketing Audit Comes of Age. Aubrey Wilson's Marketing Audit Checklists. In chapter entitled Organising, Implementing, Evaluating, and Controlling Marketing Activities.	No
Stanton	1995	One paragraph covering a brief reference to the marketing audit. In chapter entitled Marketing Implementation and Performance Evaluation.	American Management Association (1959), Analyzing and Improving Marketing Performance: Marketing Audit in Theory and Practice. Schuchman (1959) The Marketing Audit: Its Nature, Purpose and Problems.	No
McCarthy	1997	One page covering only a basic discussion of the marketing audit. In chapter entitled Implementing and Controlling Marketing Plans.	Berry, Conant, and Parasuraman (1991), A Framework for Services Marketing Grashof (1984), Conducting and Using a Marketing Audit. Tybourt and Hauser (1981), A Marketing Audit Using a Conceptual Model of Consumer Behaviour: Application and Evaluation.	No

Author(s)	Year	Marketing Audit Coverage and Conceptual Framework	Main References	Empirical Evidence
Kotler, Gregor, and Rodgers	1977	Pioneering work, providing definition for the marketing audit and details the types of processes for conducting it.	American Management Association (1959), Analyzing and Improving Marketing Performance: Marketing Audit in Theory and Practice.	No
Enis and Garfein	1992	Describes how a computer-driven marketing audit can be designed and conducted.	Kotler, Gregor and Rodgers (1977), The Marketing Audit Comes of Age.	No
Brownlie	1993	Repeats and supports the definition provided By Kotler. Suggests a procedure and process consideration for conducting the audit and supports the use of the checklist approach.	Kotler, Gregor and Rodgers (1977), The Marketing Audit Comes of Age.	No
Brownlie	1996	Asserts that in practice there is confusion about how to conduct a marketing audit. The marketing audit is about learning and change. The auditing process is an organisational intervention.	Kotler, Gregor, and Rodgers (1977), The Marketing Audit Comes of Age. Brownlie (1993), The Marketing Audit: A Metrology of Explanation.	No 8

PROPOSED MODEL

Considering the complexity of marketing decision making due to rapidly changing multi-dimensional environmental factors, it is inconceivable that many managers would be fully briefed on all issues impacting on the outcomes of a decision. The existing methods of information collection, processing, and reporting (as discussed earlier e.g., MkIS, MDSS, and IMkIS), although quite useful for what they can do, require a degree of management skill and effort in interpreting the results and converting them into action oriented formats. The authors envisage the possibility of using the function of the marketing audit in a more effective way to overcome the inadequate information problems.

The marketing audit can be given the function of a central intelligence activity responsible for collection, synthesis, analysis, interpretation, and recommendation on all major marketing decisions. The system would utilise all the existing information sources and would combine them with marketing auditing procedures and processes in order to map a complete picture including recommendations, rationale, and anticipated outcome. Figure 1 provides a flow of information from all external macro and micro environments as well as internal sources to the marketing audit function for processing. In this function the marketing audit will maintain progressive, cumulative, and cost-effective information gathering. The marketing audit, in addition to contributing to the strategic and tactical planning process, will continually monitor the implementation of the marketing programs, and will advise on significant deviations from the planned expectation with recommendations to allow for changes to realign activities.

The centrality of the marketing audit will allow managers to use it to develop progressive and comprehensive familiarity with the system within which the business operates and make it possible for it to provide the most informed, reliable, and action-oriented recommendations for decision making on all major issues. Indeed, due to its continuous function and comprehensive and up-to-date nature, the audit can be used to recommend actions as changes occur in the business environment. At the same time, the marketing audit function can react to instructions from management in the provision of specific projects. The system can also provide the facility for progressive marketing replanning in the light of market evolution.

(Figure 1).

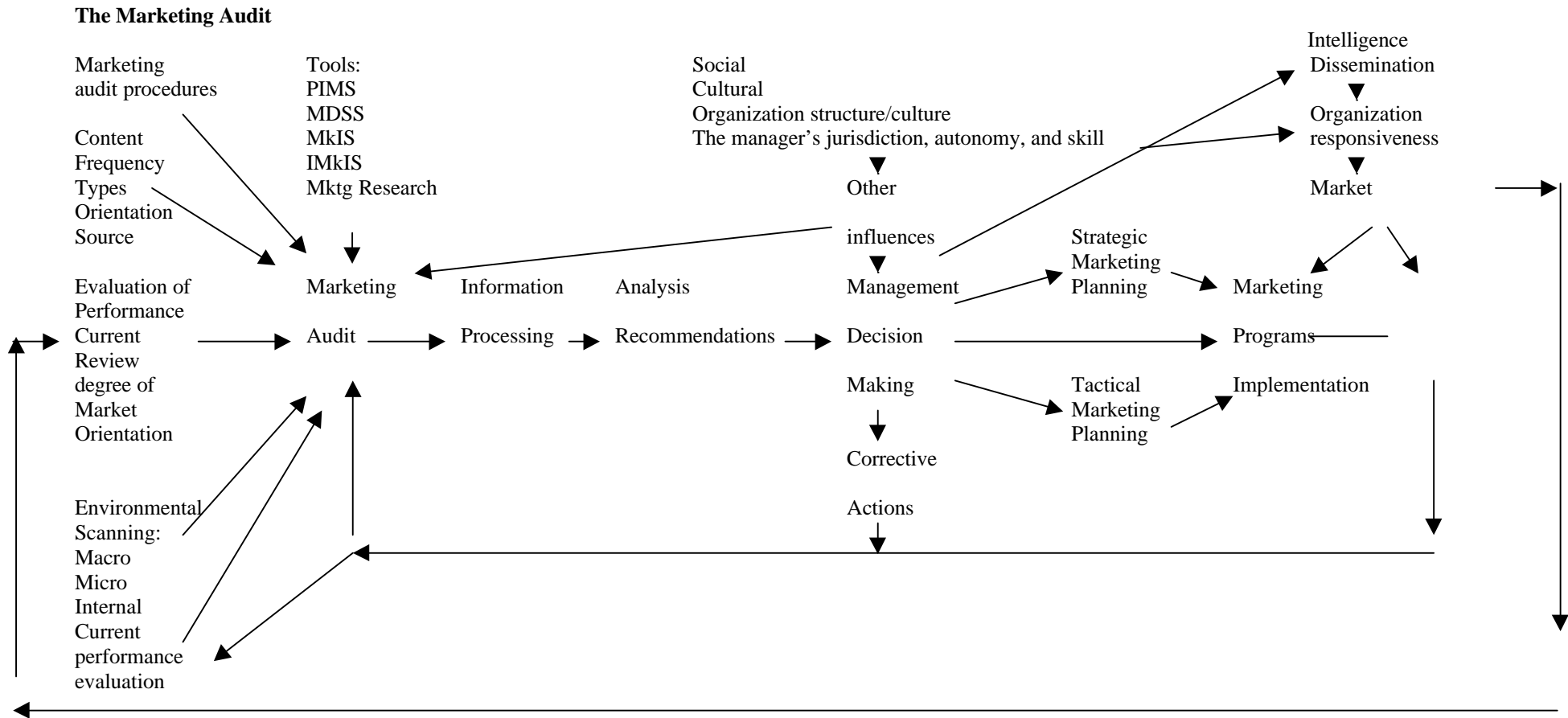


Figure 1. The marketing audit as an intelligence gathering, processing and analysis centre providing continuous assistance to marketing management decision making process. Source: The authors.

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