

## THE ROLE OF MARKETING AUDIT AND VALUE OF INFORMATION

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### ABSTRACT

*The paper deals with marketing audit and the importance of valued information which can contribute to the detection of opportunities and threats in the market. The introductory chapter of this article deals with the definition of marketing audit, individual characteristics and properties of the marketing audit. In further, we describe the methods and components of marketing audit. Then we point out the process of implementation for marketing audit. The article also contains a definition of information and its value in the marketing audit.*

### Key words:

Information, marketing audit, value

### JEL Classification: M31

## 1 The importance of marketing audit

The term of marketing audit appeared in literature in the eighties last century, especially in the works written by **Ph. Kotler**, **M. McDonald** and **H. Meffert**.

One of the definition says that a **marketing audit** is: „*a comprehensive, systematic, independent and periodic examination of the environment, objectives, strategies and activities of the company, which aims to identify problem areas and opportunities and recommendations for further action to streamline marketing company.*“<sup>1</sup> According to the previous definition implies that a marketing audit comprises the steps systematically and covering all marketing activities and areas of business.

After carrying out the analysis, it is important to create recommendations and plans of action to improve the situation in the field of marketing. This involves examining which is systematic, independent and periodic, the result represents four basic characteristics of marketing audit.

According to the definition of **Ph. Kotler**, we can deduce the four basic characteristics of marketing audit. It includes the following:

- integrated,
- systematic,
- independent,
- periodic.

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<sup>1</sup> KOTLER, P. – ARMSTRONG, G.: *Principles of Marketing*. USA : Peaeson Education, 2010. p. 111.

**Integrated**

It covers all activities of the organization in marketing and not just parts which are problematic. It may be undertaken in the form of functional audits. This kind of audit is substantive and can be helpful. However, sources in the detection of problems and failures in organizations are more effective integrated and completed marketing audit.

**Systematic**

Marketing audit presents an ordered sequence of steps that include enterprise marketing environment, internal marketing system and marketing activities. The action plan and recommendations contain with short-term and long-term proposals to improve the efficiency of marketing in organizations.

**Independent**

Marketing audit should be carried out by independent experts called in particular, marketing auditors who have the necessary knowledge. It is carried out independently and main objectively. Audit executed by external staff brings benefits of higher flexibility, objectivity, independence and wider utilizing of experience.

**Periodic**

Audit should be carried out regularly, not just when there are some problems. Marketing audit serves as a prevention and maintain organization in a favorable position in the market.

The audit is associated with the financial side of the business. It is implemented through a defined set of accounting standards that are clear, logical and easily available. The importance of marketing audit is that it is an independent examination of the marketing performance in particular company whose goals are to identify problem areas and marketing opportunities and propose measures to improve the situation. Marketing audit examines the internal situation of the organization. It answers the question of where the company is currently on the market place. It emphasis on marketing activities and position of the organizations in the market place.

The audit can be considered as an independent assessment of proposals, solution provider and routine operation of an information system. The audit has the ability to meet all safety requirements.

**1.1 Components and methods of marketing audit**

Marketing audit deals with the six main components that determine marketing situation in the particular organization. These components are explored by six major types of marketing audit.

- Audit of marketing environment – it deals with factors from external and internal environment in terms of their past development and expected trends which can mean either the opportunities or risks for the organization.
- Audit of marketing strategy – it checks how the marketing objectives and strategies of the organization are adapted to the external environment and corporate resources and options.
- Audit of marketing organizations – determine the ability of the marketing organization to implement the strategy from formal structure, functional effectiveness of interactions between different departments in the organization.
- Audit of marketing systems – it is focused on the part of operation for the four main marketing systems in the organization: marketing information system, marketing planning system, marketing control system and system for developing new products. It examines whether an organization

achieves the objectives of marketing, whether these objectives correspond to the opportunities on the market.

- Audit of marketing productivity – it brings information about the profitability of individual aspects of the marketing program. It examines the effectiveness of the cost.
- Audit of marketing functions – in detail evaluate the individual components of the marketing mix.

## **The methods of making audit**

In this part of the article we will point out individual methods of marketing audit. We can divide into the following:

**Self audit** – it implemented by the managers in particular company who through questionnaire will evaluate the results and methods of the work. In case of own audit, it is necessary that all the managers adapt the procedures and schemes, received training and follow up with the strict discipline in carrying out the audit.

**Audit realized by another manager** – manager from the another department within the organization evaluate the work of others.

**Utilizing of external experts** – in theory but especially in practice it's recommended to implement an audit using an external consultant mainly because of its greater objectivity. External audit is conducted independently, is bound by the relevant legislation and responsible for confidential data.

## **1.2 Process of marketing audit and its implementation**

The implementation of marketing audit can be divided according to the various literature sources into several stages.

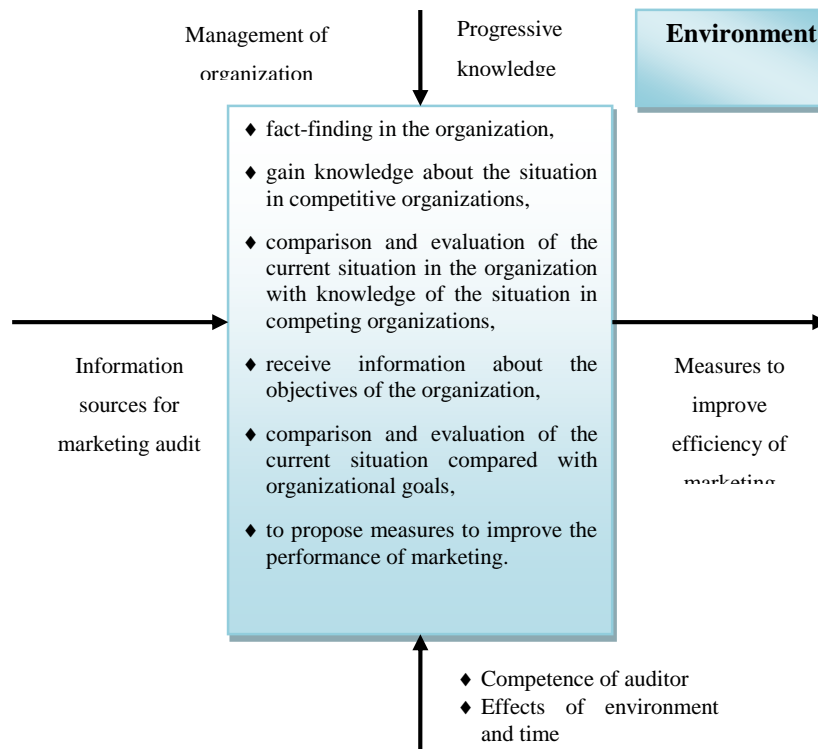
The first stage is to create a **plan of marketing audit** by auditor. In this audit plan we define the need for implementing various functional audits and it examines the availability of needed information resources. Auditor according to the meeting with the management of the organization where they agreed to specific audit procedures. They agreed on the purpose, scope, objectives, information sources, form of final report and the time period for establishing audit.

The second stage is the **implementation**. Audit realizes diagnostic steps, using the methods of logical analysis. It defines the problem and carries out the marketing analysis and behavior of the organization. According to these implemented analyzes we diagnose the issue. Auditor analyzes the objective facts that can be derived from past development. For instance, the analysis of marketing cost. It evaluates subjective elements. It reviews the questions of employees in the particular section of the organization and compare them with those of others.

### **The information sources for marketing audit:**

- objective analysis of the marketing activities,
- subjective opinion of employees about efficiency of marketing systems,
- opinions of business partners and information based on development of economic environment from external sources.

The third stage is the **preparation of the final report** by the auditor which should be submitted to the management of the organization. Auditor expresses their opinion on the controlled matters. It proposes measures to correct the deficiencies.



**Picture 1: Process of marketing audit**

Source: Šalgovičová J. – Štefančíková, A.: *Procesný prístup v marketingu*, 2012, p. 223.

### 1.3 The value of information in marketing audit

For the existence of any company in the market the information is important. It also plays an irreplaceable role in the implementation of the marketing audit. The company can respond with the right information more effectively to the changes in the internal and external environment, to adapt and respond effectively.

We can define information as a knowledge communicated or received concerning a particular fact or circumstance. It can lead to an increase in understanding and decrease in uncertainty.

**Information is valuable** because it can affect behavior, a decision, or an outcome. For example, if managers are told their company's net profit decreased in the past month, he/she may use this information as a reason to cut financial spending for the next month. A piece of information is considered worthless if, after receiving it, things remain unchanged.<sup>2</sup>

<sup>2</sup> Available from: <http://www.businessdictionary.com/definition/information.html> [18.01.2014].

Information can be considered as a **valuable asset** of the company. Their quality and value can be found in terms of time, accuracy, confidentiality and form. Managers of companies are trying to get the right information from official meetings and **regular implementation of the marketing audit**.

**P. Drucker** said the following: „*manager will never be able to get all the information they should have. Most decisions must be based on incomplete information – either because the information is not available or their obtain could cost a lot of time and money.*“<sup>3</sup>

However, managers need relevant information on the basis which is able to provide them the right, operational and effective decisions. Employees who are responsible for marketing audits use the following information which is provided:

- by studying existing documentation (reports from previous audits, security policy, security project),
- a physical inspection of the relevant premises (direct – spaces where the new technology is in place, indirectly – access roads to the facility),
- interviews with employees and with suppliers.<sup>4</sup>

**The value of information depends on four criteria such as:**

- Form – the value of information increases thereby making form is closer to the requirements of the person who decides on that basis.
- Time – higher value has the information that is provided in time. Therefore, the lack of information can cause negative consequences,
- Availability – greater value has information that is available and meet the requirements such as time and availability.
- Character – it can be decided when and to whom will be provided. This is also influenced by the organizational structure and communication channels in the company.<sup>5</sup>

Experts and professionals predict that, if the information that is available is accurate it will have a more desired result. However, if this information itself will not help to make better decision then we can consider it that has no value at all.

**Any of the information we could evaluate from the terms of:**

- reliability,
- importance,
- level of confidentiality.

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<sup>3</sup> DRUCKER F.P.: *On the Profession of Management*. USA : Harvard Business Press, 2013. p. 77.

<sup>4</sup> Available from: <http://informacnabezpecnost.eu/> [19.01.2014].

<sup>5</sup> BĚLOHLÁVEK, F. – KOŠTAN, P. – ŠULEŘ, O.: *Management*. Praha : Rubico, 2001 p. 400.

An audit has an irreplaceable role in a market economy. Its traditional function involves the utilizing of reliable and objective information that provide insight into the financial position and results of operations. The term audit in modern management became a tool for improving corporate management of the company. In order to be able to undertake an audit within an organization, the company needs to have a system in place and functions to ensure the organization, planning and information system which can capture signals from the external environment. Audit which is based on the relevant information can help organizations take advantage of all the opportunities which are provided by the market and thus avoid negative threats that may appear on the market. Therefore, we can conclude that valuable information has its own important place and an irreplaceable role in the implementation of the marketing audit.

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