



Microeconomics

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**THE CONCEPT OF MARKETING AUDIT:
PROBLEMS OF THEORY AND PRACTICE**

Abstract

The development of market relations in Ukraine calls forth the questions of strengthening the competitive capacity of enterprises on the market and their timely adaptation to changes in competitive marketing environment, recognition of an urgent need for practical application of the principles of marketing audit for evaluation of enterprise's production and sales operations, as well as revealing the problems and hidden potential in the way of reaching operational and strategic goals and achieving the desired result.

The formation of marketing audit is one of the most complicated tasks of strategic management. Its necessity is preconditioned by the incoming information describing the financial and economic activity of an enterprise, by the elements of company's business environment, and on this basis by the coordination of the management system operation for achieving the set goals.

Key words:

Competitive capacity, marketing environment, marketing audit, strategic management.

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Introduction

With the development of market economy increases the role of enterprises as subjects of market relations, which calls for elaboration of a principally new approach to solving their problems based on the modern methods of commercial work. That is why today the financial and economic activity of enterprises should be directed primarily at the activation of sales, which will add to solving a ternary task: fulfilling the social and individual needs in respective products, speeding up product distribution and investment turnover, and strengthening the role of enterprises on the market.

When developing long-term and operational plans of market activity, business entities continuously face the factor of uncertainty. Thus, their wish to diminish the impact of this factor is justified, since the degree of uncertainty surrounding the enterprise affects the generation of a whole series of marketing risks. A search for solutions of the existing marketing problems should be carried out not only by the business entity itself, but also by external consultants, auditors in particular. Such conditions preconditioned the emergence of the need for marketing audit, the development of which is currently left unattended by the national theory and practice.

Setting the Task

The problem of marketing audit occupies an important place in the studies of economic scientists. The foreign scientists who made significant contributions to solving the problem of marketing audit on different historical stages include P. Kotler, H. Armstrong, H. Assel, H. Goetz, E. Dihtel, J. Lamben, H. Hershgen, and others.

The questions of marketing audit have also been investigated in the works of national scientists H. Bahiyev, L. Balabanova, A. Balabanets, S. Harkavenko, V. Tarasevych, V. Kholod, and others.

Although the accomplishments of national and foreign economic scientists are significant, there still are many disputable issues which require further research, profound study and elaboration of new approaches and directions for improvement.

The diversity of researched questions and their importance for business entities corroborates the necessity of deepening theoretical elaborations con-

cerning organization and methods of marketing audit , as well as its practical application. Some of these questions will be discussed in this paper.

Main Findings

Marketing audit is a comprehensive audit exploration of a firm's marketing environment, which includes evaluation of its production and sales activity, as well as identification of the problems and hidden potential in the way of reaching operational and strategic goals and obtaining planned results.

The formation of marketing audit is one of the most complicated tasks of strategic management. Its necessity is preconditioned by the incoming information describing the financial and economic activity of an enterprise, by the elements of company's business environment, and on this basis by the coordination of the management system operation for achieving the set goals.

The goal of marketing audit is to reveal problem areas in business activity and to develop recommendations for raising effectiveness of the firm's marketing activity [3].

Attainment of the mentioned goal is possible on condition of performing a set of tasks including reduction of the enterprise's marketing risks, in particular:

- the risk of manufacturing products for which there is no demand;
- the risk of ineffective pricing policy;
- the risk that product quality does not meet consumer requirements;
- the risk of ineffective organizing of the distribution system [5].

Thus, we can assert that marketing audit allows, first, to avoid expenditures for manufacturing of products for which there is not market demand; second, to optimize the price range; third, to eliminate low-quality products from the product range; and to adapt sales to market needs and requirements, etc.

In our opinion, it is feasible to carry out marketing audit in the following cases:

- when the initially set strategy and the tasks stipulated by it grew morally obsolete and do not meet new conditions of the environment;
- the market positions of key competitors strengthened in a short period of time, their aggressiveness grew, effectiveness of the forms and methods of their work increased;
- the enterprise experienced a significant failure on the market: its product sales volumes shrank, some markets were lost, the offered

choice of products includes items of low demand, many regular buyers refuse to purchase its products, etc [5].

As shows the scientific literature, the studies of F. Kotler in particular, the key elements of marketing audit include:

- audit of the marketing environment, including
 - the macro-environment (demographic, economic, ecological, technical, political, cultural);
 - the micro-environment (markets, buyers, competitors, distribution and dealers, suppliers, subsidiary and marketing firms, the public);
- audit of the marketing strategy;
- audit of the marketing organization (formal structure, functional effectiveness, effectiveness of interrelations);
- audit of the marketing effectiveness (profitability, cost efficiency);
- audit of the marketing functions [1].

The structure of the marketing audit presented by other authors does not contradict the above-mentioned one, although it has its peculiarities. Thus, E. Diehtl and H. Hershgen suggest that marketing audit should be carried out in the following areas:

- information control;
- control over goals and strategies;
- control over measures;
- control over organizational processes and structures [1].

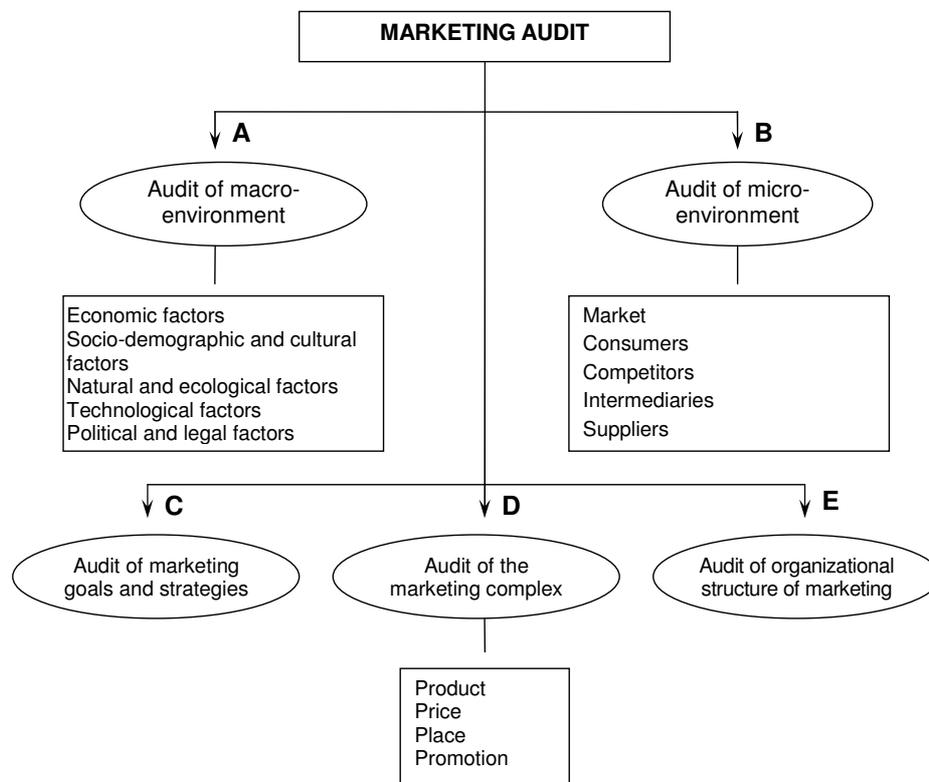
In his turn, H. Goetz suggests some other areas for marketing audit: products, customers, markets, competitors, pricing, marketing channels, sales management, advertising, and sales promotion [1].

In our opinion, the scheme offered by J. Lamben is useful and credible, as it allows focusing on a particular element of the marketing audit (see Figure 1).

As shows Figure 1, auditing by selected areas allows analyzing the market tendencies, revealing changes in the factors of macro- and micro-environment, defining marketing objectives and strategies, and organizing inspections of the marketing complex and its organizational structure [4]. We think that such an approach to marketing audit could be useful in the practice of retrospective and perspective independent control over the activities of national business entities.

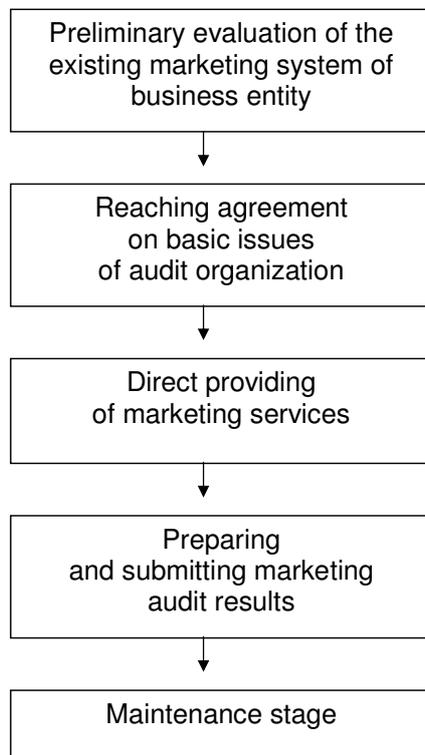
Figure 1.

Areas of marketing audit



Regarding the matters of organization, let us proceed to substantiating the sequence of the marketing audit process, which is valid for all its areas. At that, we would like to mention that marketing audit is a technological process consisting of the stages shown in Figure 2.

To give further detail of the information depicted on Figure 2, let us mark the peculiarities of each stage. Thus, the first stage anticipates a study of the firm's specifics (fields of activity, organization, structure, product range, sales market), perspectives of its development, its accounting, analytical and controlling processes; also investigated are the general approaches to auditing, including probable use of internal control, and problem areas for audit; assessment of risk; examined are the draft general plan and programme of the audit, set volumes of work, specific performers, as well as the planned degree of essentiality.

*Figure 2.***Stages of marketing audit**

The second stage focuses on agreeing with the client the auditing plan, planned volume of work, auditing period, and forms of communicating the auditing results; approving the shares of the auditing company's and the client's responsibilities, determining the value of auditing services; fixing the achieved agreements between the auditing company and the client by signing the required documents and by preparing the normative and legal base for inspection.

The third stage of the marketing audit provides for direct auditing and execution of final audit documentation.

At the fourth stage, the auditing company discusses which additional documentation needs to be passed to the client and submits the auditing results.

In our opinion, it is reasonable to supplement the marketing audit process with the maintenance stage. Its necessity originates from the need of an enterprise

to receive periodical consultations on the practical implementation of expert recommendations, introduction of corrections into these recommendations, etc.

We would like to acknowledge that the proposed technique of marketing audit stipulates for collection of the most essential information about the financial and business activity of the enterprise and is used to develop the latter's specific business objectives and strategies. As a rule, we distinguish between the internal and external marketing audits. The external audit explores the macro-environment and the environment of enterprise's tasks, whereas the internal audit studies all aspects of the enterprise's activity, including key operations in the process of product and service flows, in particular the material and technical supplies providing, manufacturing, product delivery, sales, marketing and after-sale service. In addition to the above-mentioned processes, the audit covers a so-called supporting activity of an enterprise, like concluding of purchase contracts, development of personnel management techniques, and deepening of the enterprise's infrastructure. All this is beyond the traditional marketing activity; nevertheless, the marketing strategy depends upon all the listed constituents.

Conclusions

In revealing the theoretical and practical problems of marketing audit, we have come to the following conclusions:

1. The search for ways to solve existing marketing problems should be carried out not only by business entities by themselves, but also with the help of external consultants, auditors in particular. Therefore, we believe that building the confidence in marketing audit and promoting its development should be realized at both micro- and macro- levels.

2. Although the accomplishments of national and foreign economic scientists are significant, there are many disputable issues that require further research, comprehensive study, improvement and elaboration of new approaches. Therefore, we consider that marketing audit needs urgent exploration, especially the theoretical foundations of its organization and methods, as well as its practical application.

3. The application of marketing audit in the practice of national enterprises is critically important as it enables, first, to avoid expenditures on manufacturing the products of low market demand; second, to optimize the price range; third, to remove low-quality products from the company's product range; and finally, to adapt sales to market requirements, etc. Therefore, as we see it, the theoretical research must be corroborated by its implementation in the practice of national enterprises.

4. In our opinion, marketing audit should be carried out in the following cases:

- the set strategy and the tasks stipulated by it grew morally obsolete and do not correspond to new conditions of the environment;

- the market positions of key competitors strengthened in a short period of time, their aggressiveness grew, the effectiveness of the forms and methods of their work increased;
- the enterprise experienced a significant failure on the market: its product sales volumes shrank, some markets were lost, the offered choice of products includes items of low demand, many regular buyers refuse to purchase its products, etc.

5. We suggested using the international practice of auditing by specific areas, which would allow analyzing the market trends, discovering changes in the factor of macro- and micro- environment, defining marketing goals and strategies, and organizing inspections of the marketing complex and its organizational structure. We consider such an approach could be useful for the practice of retrospective and perspective independent control over the performance of national business entities.

6. We expressed an opinion that marketing audit should be viewed as a technological process consisting of certain stages. At that, it is feasible to supplement it with the maintenance stage. Such a need is dictated by the enterprise's need for periodical consultations on practical implementation of expert recommendations and introducing necessary corrections into these recommendations.

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