

# Gaining Competitive Advantage Through Your Marketing Audit

*Expert knowledge means success*

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**Note:** This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

## Introduction

A marketing audit<sup>1</sup> is a comprehensive appraisal of the organisation's marketing activities. That sounds a bit complicated - another way of putting it is to say that a marketing audit is a tool that allows you to step back and take a good look at just how well your company puts business on its books. It helps you to identify your most urgent marketing communications challenges.

The marketing audit starts with a review of the business' marketing, creative, and media platforms. Recommendations can then be made to improve current strategies or introduce more effective activities.

The value of a marketing audit comes from bringing a fresh and objective mind to situations and problems all too familiar to an organisation's own marketing personnel.

You end up with a comfort level similar to the financial audit that goes out into the warehouse and assures the inventory on the books actually exists. It's a key component to the success of a recapitalisation, such as a purchase, sale or merger.

## Marketing effectiveness

Just because your company's marketing performance is on the upswing doesn't necessarily mean your marketing is effective. Increased performance may be the result of being in the right place at the right time rather than having effective marketing management. Marketing effectiveness is reflected in the degree to which your company exhibits six attributes:

1. Customer orientation and how you create a competitive advantage.
2. A mission, vision, credo, corporate values and core competence.
3. An ongoing process to capture data concerning future customer needs and wants.
4. Who's going to lead the effort and who's going to do the work and how is performance measured?

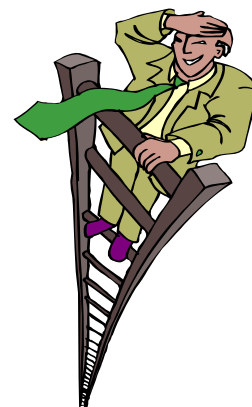
5. What are the barriers to success?
6. Delivery Systems that put products and services in the hands of customers.

An audit of your marketing effectiveness will involve a systematic assessment of your marketing plans, objectives, strategies, programmes, activities, processes, organisational structure, and personnel. Such a thorough study of a marketing operation requires an objective attitude - if you think about financial auditors, whose cautious care makes them hard to fool, you'll know what we mean about having a positive objective attitude.

Managers often describe the audit process as costly, complex, and upsetting to organisations and individuals. This is because the audit emphasises not only *what* is being done but also *why* it is being done; it evaluates both current tactics and past strategies. Ideally, the audit should stress correcting procedures rather than assigning blame to individuals. Organisations that conduct regularly scheduled marketing audits can avoid problems by pointing out that the process is scheduled from time to time and is not aimed at criticising an individual or a part of the organisation.

Marketing audits typically begin with a meeting between the management of an organisation and the outside people (such as PRB Strategies) who are to conduct the audit. They decide on the audit's objectives, report format, timing and other matters. A typical audit (but note that each audit is different) consists of numerous sections, as shown below:

- Environment
  - How are environmental trends monitored?
  - What population trends are expected to affect existing and planned strategy?
  - What social and psychological patterns (attitudes, lifestyle, etc.) are expected to affect buyer-behaviour patterns?
  - How are present and pending legal developments affecting your operation?
  - What are the effects of competitors (their products, services, technologies) on your operation?
- Objectives
  - Are the marketing objectives of your department consistent with overall company objectives?
  - Should these objectives be altered to fit changing environmental variables?



- Are objectives consistent with one another?
- How do objectives relate to marketing strengths and market opportunities?
- Strategy
  - What is the relationship between objectives and strategies?
  - Are resources sufficient to implement the strategies?
  - What are the company's weaknesses?
  - How do you compare your strategies with those of competitors?
- Product Decisions
  - How are new products developed within your business unit?
  - How are existing products evaluated?
  - How are products phased out of the line?
  - How is the mix of products evaluated?
- Pricing Decisions
  - How are pricing decisions made?
  - How do pricing decisions reflect the influences of competitors and the concerns of channel members?
- Distribution Decisions
  - How are channel members selected, evaluated, and dropped if necessary?
  - How are channel members motivated?
  - How are decisions to modify channel structures reached?
- Promotion Decisions
  - How are promotion mix decisions made?
  - How are salespeople selected, monitored, and evaluated?
  - How are payoffs associated with promotional efforts estimated?
- Market Information
  - How is marketing research information transmitted to, and used within, the business unit?
  - Is a global information system in place?
- Activities and Tasks
  - How are tasks scheduled, described, and planned? How are the responsibilities of individuals determined?
  - What spans of supervision, reporting relationships, and communication patterns exist? How are they evaluated?
- Measurement
  - How are budgets set?
  - What is the frequency of analysis?
  - How are paybacks on the investment evaluated?
  - How often are investment and sales trends analysed?

- Personnel
  - What level of competence has been attained by personnel in each position?
  - Are remedies to problems, if necessary, being planned? What are they?
  - What is the state of morale?
- Motivation
  - What are present plans in these areas?
  - Describe career development paths. Are replacements for personnel in key positions being groomed?

## A good marketing audit should be:

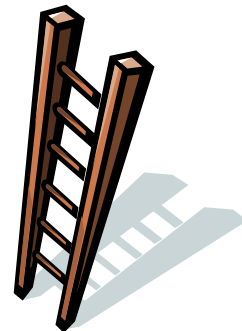
- Systematic - It follows a logical, predetermined framework-an orderly sequence of diagnostic steps.
- Comprehensive - It considers all factors affecting marketing performance - not obvious trouble spots. Marketers can be fooled into addressing symptoms rather than underlying problems. A comprehensive audit can identify the real problems.
- Independent - To ensure objectivity, outside consultants may prepare the marketing audit. Using outsiders may not be necessary, but having an objective "auditor" is essential.
- Periodic - Many organisations schedule regular marketing audits because marketing operates in a dynamic environment.

## Strategic perspectives

Before investing time and money into various marketing strategies, it's essential to complete a marketing audit to better understand yourself and your customers. All too often, people make arbitrary decisions without any solid marketing information. The results can be disastrous. To enhance your marketing prowess, consider the following questions:

- **What business are you really in?**  
If you think you are just competing against other people in the same industry then you may be losing business and missing valuable opportunities.
- **Where can you diversify?**  
Every time a customer does business with you, there's an opportunity to offer them additional services and products. Through subcontracting and strategic alliances, you can offer these products and services without spending a lot of money or time.

- **What is the perceived quality of the service or merchandise you sell?**  
People buy for their reasons, not ours. Although we may feel that we have a high-quality product or service, the customer is the one who really defines quality. Remember the saying, "To sell Fred Smith, what Fred Smith buys, you need to see Fred Smith through Fred Smith's eyes. The quality of the meal is determined by the consumer, not the chef." Always look at everything you offer from the customer's perspective.
- **What kind of image do you want to project?**  
The marketing term positioning is "shorthand" for describing the way you want your product or service to be seen in the eyes of the consumer. All your marketing efforts should focus on creating the perception and value of the product or service in the customer's eyes.
- **How do you compare with the competition?**  
You need to know your competition to determine where you have the advantages, to know why and how they are better and to copy success. Make sure you review your competition in relation to product/service characteristics, price, promotion strategies, place, packaging and personnel.
- **What benefits do you offer your customers?**  
In other words, what can your clients save, gain, accomplish or avoid by using your product or service.
- **Who are your customers?**  
There is no issue more important to you than knowing your customers. Most people try to be everything to everyone. This dilutes the marketing message as well as time and money. You need to focus on the 20% of your customers who will give you 80% of your income.
- **Why do they buy from you?**  
There is one main reason why people buy from you. This is known as your Unique Selling Advantage. What are you doing differently from all the other competitors?
- **What are your main products?**  
Should any products be phased out? Should any products be added to the line? What is the general state of health of each product and the product mix as a whole? Does the product line meet the demands of the market?
- **Are prices set on cost, demand or on competitive criteria?**  
What would be the likely response of demand to higher or lower prices? Does your organisation use temporary price promotions and, if so, how effective are they?
- **Is your distribution effective?**  
Are there alternative methods of distributing your product that would result in more service or less cost? Does your organisation give adequate service, along with the product, to customers? What are the main trade channels bringing products to your customers? What are the efficiency levels and growth potentials of the different trade channels? What are the customer feedback mechanisms on distribution arrangements?
- **Is your sales force large enough?**  
Is it organised along the best lines of specialisation (territory, market or product)? Does the sales force show high morale, ability, and effectiveness? Are they sufficiently trained? Do they have enough incentives? Are the procedures adequate for setting quotas and evaluating performance? How do you collect their feedback on markets, competitors, distribution, products and pricing?
- **Do you clearly state your advertising objectives?**  
Does your advertising get its messages across? Are the themes, graphics and copy effective? Are the chosen media methods adequate?
- **How is your publicity?**  
Do you have a carefully formulated programme of publicity?
- **How is your sales promotion?**  
Do you use sales promotions and, if so, are they well conceived?



**It makes sense - doesn't it? ...Making sure that your success is quantifiable.**

A marketing audit checks on the effectiveness of your marketing measures, making actual/target comparisons, and produces savings through concentration on the essential. And all this comes from knowing what makes sense.

Answer this simple question:

*Is your ladder leaning against the right wall?*

## Further Information

Marketing audits pay dividends. They inform business owners and managers about the degree of effectiveness of promotion of the products and services that a business sells - whether it's a manufacturing business or a professional services firm.

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### Acknowledgement:

<sup>1</sup> This Publication was inspired by the work of William Zikmund and Michael d'Amico: read their excellent book "Effective Marketing: Creating and Keeping Customers", published by South Western College Publishing.

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Publication issued or updated on:  
27 January 2012

Ref: 200

