3.1 MARKETING V/S SELLING.

Generally, the term Marketing is confused with selling. In fact, Marketing is a broader term than selling. Selling is concerned with prospecting, negotiating, handling objections and making a sale that is, the actual act of sale. However, before this actual act of sale takes place, a large number of activities are required to be completed. They include marketing planning, marketing research, packaging, advertising etc. Marketing covers all the activities involved in transferring the goods or services produced to the ultimate user. *Philip Kotler has defined Marketing as a "process of exchange between human beings to facilitate and communicate different needs and desires, and thereby to fulfil the organisation goals".

The selling concept is product oriented. It focuses on the needs of the seller to convert his product into cash, that is it is assumed that sales department can sell whatever has been produced by the production department. On the other hand, marketing concept has a

customer orientation. The basic philosophy of the marketing concept is satisfying customer's wants and needs. Marketing is concerned with earning profits through customer's satisfaction. Due to more demanding customers and increasing competition no business unit can impose its products on customers. A superior quality product may fail, if it is not as per customer's expectations, needs and demands. Therefore, every business has to realise that 'consumer is the king of the market'. It has to think in terms of the customer's needs and wants. Therefore at one time or the other every business has to accept the 'marketing concept', for survival and growth.

3.2 Once the marketing concept is clear, we can discuss another word that is 'AUDIT'.

AUDIT means 'any systematic investigation or appraisal of procedures or operations for the purpose of determining conformity with the prescribed criteria'.

'AUDITING' is generally associated with the accounting of activities or events. These activities or events are expressed in monetary terms. For this reason a
narrow view is taken of matters, that auditing is concerned with only the monetary accounting data. However, auditing basically and conceptually concerns itself with the collection and appraisal of evidence, underlying the transactions that are quantifiable and not necessarily expressed in monetary figures.

'Auditing' like any other social discipline is basically evolutionary in character. According to the needs of time and the occasion it adjusts itself. Various factors like development of accounting principles, industrialisation, corporate form of business organisation have left their mark on the evolutionary development of 'auditing'.

In recent years, the world has witnessed a rather new type of revolution viz the management revolution. Management of enterprises is itself a science and techniques and rules have been formulated for practising this science. 'Auditing' has become an essential management tool, for efficient running of the business or other economic activity.

3.3 Now the question is 'can the marketing operations of a business unit be audited?'. The nature of marketing functions is different
from production. With a given set of men, materials and machines, a certain quantity of production can be produced. However, with a given set of customers and marketing facilities, it is not possible to sell a particular quantity of goods, due to reasons like competition, changes in the demand of customers and many others.

If the above mentioned question is asked to the marketing personnel, they will give a negative answer.

* Their objections can be listed as follows:

(a) Most of the tasks performed by the marketing staff and their responsibilities are to achieve results in future. The future is unpredictable. What cannot be forecasted with a reasonable degree of confidence has to be outside the scope of audit.

(b) Market conditions are always in a state of flux. The data that is being collected becomes out of date as it is being collected and analysed.

Such data is not in a fit condition for drawing meaningful conclusions. Sampling suffers from margins of errors which is not acceptable to an auditor. Precise data is hardly available for marketing operations.

(C) Auditing pre-supposes existence of pre-established norms which have general acceptance. Such norms are not available for marketing activities. For example, it is difficult to correctly assess the response to a particular advertisement. There are no definite answers to such questions as:

'How many readers will notice an advertisement?
To what extent the readers would be attracted towards the product and purchase it?'

The negative response to the application of concept of audit to marketing activities.

The auditors are considered as persons who ask questions, find faults, make impractical suggestions etc. And another question, is 'when the financial audit' is already there, why to add one more type of audit?

No doubt, financial audit is the most popular type of audit. Commonly the word audit is linked with the financial audit and everyone is familiar with it.
Financial audit is also a legal necessity.

However, financial accounts as well as financial audit have their own limitations. They are as follows:

(a) Window dressing of Balance Sheet and the creation of secret reserves hide the real state of affairs of the company. By some accounting 'adjustments' (manipulation) a company's position may be reflected through its Balance Sheet in a way better or worse than what it is.

(b) Financial accounts fulfil the legal requirements but they are not suitable for internal comparison and control.

(c) The financial accounts are good in so far as an overall evaluation is concerned in monetary terms. But they may not bring to light specific problems faced by the management. Sales may have been at a higher monetary value compared to the previous year and this may apparently suggest that functioning of the sales department is satisfactory. But this may have been caused by a number of factors, inspite of a really bad sales performance.
Financial accounts report which has been achieved by the company during a particular period. They do not tell you, whether this is the best that could have been achieved by the company. Financial audit is an examination of the company's financial reporting for the purpose of verifying its adequacy and accuracy. It cannot guide the company for improving its profitable performance.

Because of these limitations of financial audit, some other kind of audit or evaluation is necessary to judge the company's profitable performance and improve its efficiency. Due to the complexities of business, and increasing competition a need is felt not only for auditing financial accounts but the entire field of management functions, which is popularly known as the 'Management Audit'. Management Audit tries to evaluate everything that management does, that is planning, organising, co-ordination controlling, as well as production, finance personnel etc. 'Marketing Audit' as such is an important branch of the Management Audit.

The Marketing Audit can help the company in improving its profitability and efficiency.
Particularly, for a multi-product company, serving wider markets, the Marketing Audit can give recommendations for selling the most profitable products in the most profitable markets.

In addition to this, the Marketing Audit helps in:

1) Generation of the information, which if arranged for easy retrieval could facilitate rational decision making.

2) Creation of an environment for regular review of actual performance, that is it forces the management to take each step with proper study and foresight.

3) Establishment of a monitoring system which will keep a close tab on what is happening. The size of business transactions, the speed of technological change, complexity of marketing operations and immense cost of wrong decisions make it obligatory to reduce to the minimum, possibilities of wrong decisions.
3.4 The idea of Marketing Audit dates back to fifties. R. Dollmeyer, a former executive in Booz-Allen-Hamilton of U.S.A. remembers conducting the Marketing Audit as early as in 1952. In 1959, AMA published excellent papers on the Marketing Audit. During 1960, the Marketing Audit received increasing mention on the list of Marketing services of management consulting firms. In 1970, it increased the management awareness, as a possible answer to its needs.

In U.S.A. now, the concept of the Marketing Audit, has been accepted for over more than a decade.

In simple words, the Marketing Audit is an effort to assess the effectiveness and efficiency of Marketing policies, strategies, practices, procedures, against the company's opportunities, objectives and resources.

Philip Kotler defines the Marketing Audit as a

** "comprehensive, systematic and impartial review and appraisal of the total marketing operations, of


** Philip Kotler - Management-Analysis Planning and control.
basic objectives and policies, of the operations and procedures, personnel and organisation employed to implement policies and to achieve objectives”.

The future growth, in fact the very survival of the business depends upon the success of its marketing operations. The marketing operations are becoming increasingly complicated due to various reasons like rapid technological changes, increasing competition and changes in the government policy. Therefore, it is necessary to plan the company's marketing operations very carefully. However, marketing planning will not be of much use, unless it is accompanied by vigorous systems of marketing control. One of the way of determining the effectiveness of various marketing operations and bringing the control is Marketing Audit. All organisations are affected by continuous and rapid changes in the marketing environment. Every organisation needs to review its basic operations from time to time to make sure that they are attuned to the changing environments. Success may breed organisational slackness in a company and affect all the departments and make them less than optimally efficient. This has created a necessity of a formal Marketing Audit.
3.5 Within every modern marketing organisation, evaluations of different kinds are made. But every evaluation is not a Marketing Audit. They are far limited in scope. Generally the marketing executives review and appraise the effectiveness of field sales force, advertising programmes, company's product mix and the like; but they evaluate each of these elements at different times and in no planned pattern. They do not, within a specific interval examine each and every facet of the total marketing operations.

Principal characteristics of the Marketing Audit is that it is a scientific and comprehensive survey and evaluation of the total marketing operation - a programmed appraisal of all the activities included in marketing.

Another limitation of such current appraisals is that they are confined to the review and evaluation of performance methods, procedures, personnel, results achieved etc. Within a given frame work of objectives and policies.

In Marketing Audit the framework itself is subject to a systematic and critical analysis and appraisal. For example, a company manufacturing ready-made garments is marketing low value items. The company is aiming at high volume market. However, it soon finds that it is not in a position to reach this segment of market and is also not adequately competitive. Such a company may decide to review its entire marketing philosophy and may think it in terms of entering into the high value and low volume market.

The person or persons, who will be carrying out the Marketing Audit, will try to analyse why a particular decision was taken and what results have been achieved. Also what changes are required to improve the results in terms of profitability.

Thus Marketing Audit is a planned effort to test the executive beliefs and opinions about the character of the market, company's position in the market, company's objectives, capabilities and the effectiveness of various policies, methods, personnel, organisation structure which are or might be employed.
3.6 The concept of Marketing Audit rests on the following four pillars:

1) **Periodic**: The Marketing Audit should be carried out on an annual plan or other calendar basis and not only when there is a crisis. It promises benefits for the company - that is seemingly successful as well as the company that is in deep trouble.

2) **Comprehensive**: In the Marketing Audit, it is necessary to cover all the marketing operations and not just one or a few marketing activities that seem to be in trouble. Focusing on only the troubled marketing activities may blind the management as to their real cause and location. Excessive sales force turnover, for example, may be a symptom not of poor sales force but of poor company products and promotion. Comprehensive Marketing Audit will reveal the basic sources of the observed symptoms of marketing effectiveness.

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3) **Systematic**: The Marketing Audit involves a standard sequence of diagnostic steps covering the organisation's marketing activities. The diagnosis would be followed by the design of the corrective plan involving both short-run and long-run remedial actions to improve the organisation's overall marketing effectiveness.

4) **Independent**: The Marketing Audit should be conducted by a party who has sufficient independence from the Marketing department to attain the top management's confidence and needed objectivity. An outside party who has experience in auditing many companies and sufficient familiarity with the industry is suitable for conducting a Marketing Audit.

3.7 It has been noted that Marketing Audit is a systematic, comprehensive, periodic and independent evaluation of the company's Marketing Management. This evaluation can be divided in two parts:

i) Evaluation of the process of Marketing Management.

ii) Evaluation of the various elements of Marketing Management.
The first part, that is the evaluation of the process of Marketing Management is concerned with the evaluation of marketing objectives, marketing planning and policies, marketing organisation, marketing environment, marketing personnel, marketing information system and marketing control.

The second part of the Marketing Audit, that is the evaluation of the various elements of Marketing Management covers evaluation of product planning, advertising, sales promotion, selling and distribution and marketing research.

While evaluating the process of Marketing Management, the Marketing Audit tries to find out:

a) Whether there are logical and correct objectives for the marketing activity and these objectives are in tune with the environment in which the company is functioning.

b) That the Marketing planning is based on the solid information about the market and this information is up-to-date, adequate, received in time and used by the decision makers. Considering the changing environmental conditions, marketing plans are
revised from time to time and actually implemented.

c) Further it tries to examine the formal structure of the marketing organisation, that is - when the existing structure of the marketing organisation was set up, why and when it was changed, does it really operate in practice, are there job specifications or position charts for each position in the marketing department etc.

d) The marketing personnel, that is, the Marketing Audit tries to find out whether the marketing staff is adequate considering the marketing objectives and operations of the company and whether it has enough motivation and training or not?

e) Above all, this part of the Marketing Audit evaluates the marketing control system - system of monitoring expenses, profitability of different products and markets.

This type of Audit is necessary because if the environmental factors are neglected or marketing planning is faulty that is, planning which is not based on sufficient information about the market, product and financial position of the company, marketing operations are affected adversely which in turn affect profit. For example, the government's policy of giving exemptions in excise duty to small
industries affects window air conditioners. Compared to the small scale industries, the prices of the products of large scale units increase because of the excise duty application. This results into lack of competitiveness, which may affect sales.

Similarly, the analysis of profitability of different products and markets is necessary for maximising profits. All the markets are not equally profitable for all the products manufactured by the company because of various factors like different character of customers in different markets, state government rules, local taxes, competition, etc.

For example, a company is producing biscuits of various types and qualities like simple, cheap glucose biscuits, cream biscuits, salted biscuits etc. The company found that all over the country, there was severe competition from small scale industry in the local market. The small scale manufacturers concentrated on simple varieties of biscuits and selling at cheaper prices. They were operating in local markets only. So they had advantages of personal contacts with the customers and less transportation cost.

The company carried out a sales analysis for all the types of biscuits sold by it and all the markets served by it. They found out that it was more
profitable to sell high priced biscuits (not produced by small scale manufacturers) in distant markets and cheaper varieties in local market only.

However, many times such analysis which is an important part of the Marketing Audit is not made at all, or sometimes due importance is not given to it. Therefore, marketing efforts are mis-directed and profitability is reduced.

The second part of the Marketing Audit is an evaluation of the elements of Marketing Management. It is concerned with:

a) Examining the working of the product management system and the authority given to the product managers.

b) Depths and regularity of marketing research.

c) Profitability of various distribution channels used or not used by the company.

d) Measuring the effectiveness of advertising - expenses made for advertising, media used for advertising, advertising agency etc.

e) New product development - system - that is while introducing the new product, the future
business opportunities, company's position from financial, marketing, product, stock, personnel point of view is considered or not and whether sufficient market and product testing is done or not.

If sufficient care is not taken at the time of introducing a new product requires an imported raw material. If after introducing a new product in the market it is noticed that such imported raw material is not available, production schedule is disturbed, machines remain idle and delivery dates cannot be kept. This can affect reputation of the company.

3.7 The Marketing Audit helps the company in locating existing weaknesses, current problems and their sources and also the problems that may arise in future. It reveals potential as well as existing strengths and weaknesses in the company's marketing operations. It helps in finding out where the company is in comparison to its competitors, whether the market share of the company is increasing or decreasing, whether this increase or decrease corresponds to the increase or decrease in the total market for the product, whether this increase is in terms of quantity or it is in terms of value that is just price rise because of inflation? If over the
years, the company has failed to maintain its market share, the Marketing Audit helps in finding out the factors responsible for it, which may be out dated product or production technology, higher prices, less effective advertising and sales promotion, improper product mix etc.

The general objectives of the Marketing Audit may be to;

1) Determine how the market views the company and its competitors.

2) Recommend a price policy.

3) Develop a product evaluation system.

4) Determine how to improve the sales activity in terms of sales force, level and type of compensation, measurement of performance, addition of new salesman etc.

3.8 The scope of the Marketing Audit, can be divided into various parts as follows:

A) The Environment Audit: The marketing environment means the world that exists and immediately affects company's business. Such an audit helps to find out:
a) Status of the market and the industry within which the company functions.

b) The effects of the changes in economy, technology, legal controls on the market and industry, customers, distribution, channels, suppliers and competition.

c) Evaluating the company's position within the market and industry.

The scope of environment audit can be divided into three parts, which are as follows:

i) Overall status of the market and industry.

ii) Competition analysis.

iii) Evaluation of the company's position within the total market.

Each of these parts is discussed in detail below:

i) Overall status of the market and industry:

For determining the overall status of market and industry information must be collected of each market regarding conditions and characteristics of the country, characteristics of the market, customers etc.
The marketing environment will pose different threats and opportunities. These threats and opportunities may be in the form of natural conditions, economy, technology, government policy and cultural changes. These changes will then call for purposeful marketing action to counteract the threats, posed by the environment as well as to exploit the opportunities. A few samples under the respective heads are discussed below:

a) **Natural Condition**

As is well known the Indian economy very much depends on the vagaries of monsoon. Too much rain or too little rain, both have their impact on the Indian economy. Poor monsoons can affect on the industries like diesel, engine, fertilizer seeds etc. Alternatively floods can be considered as natural calamities which would, in general, affect the economy but may prove to be an opportunity for the companies manufacturing boats or drainage pumps.

b) **Economy**

Several industries in the Indian context are found to be affected by various economic factors like recession, inflation etc. In the year 1982-83,
majority of the engineering industries are said to be in the grip of recession. Some of these include commercial vehicles, tractors, machine tools etc. Because of tight economy prevailing with squeeze on credits, the demand has gone down considerably. Some of these industries have displayed a cyclical pattern of recession over the last twenty years. This trend analysis, then can provide important guidelines.

c) Technology:

All industries are affected by technological changes. This makes it essential to be up-to-date with the technology in relation to the company's as well as competitor's products and the customer's expectation.

d) Government Policy:

In India, this factor perhaps is the most important factor, affecting industry and business. The effect of government policies in the past, present and in future, will have to be properly evaluated to come out with policies and long term planning. Without this a company may find itself threatened or even its existence within the marketing environment prevailing. Two examples are worth quoting, first
example is that of forty drug companies. As it has been reported in newspapers about forty drug companies have decided to close down their operations in India. This is because of two policies of the government. First, foreign Exchange Regulation Act, regulating the dilution of equity and secondly debranding. Now the companies find this as a major threat to their marketing operations in India. They have decided to close down their operations rather than to comply with the regulations.

The second example is that of car industry. In case of the car industry, taxes account for almost sixty per cent in case of new models with a high import content. In the budget for 1983, reductions in customs duty were announced which are applicable to the cars with an engine capacity of 1,000 cc or less. As such, only 'Maruti' can get benefit of this concession. (800 cc engines). Therefore, cars of other manufacturers (Hindustan motors, Premier Automobiles) will cost more than Rs.25,000 to Rs.30,000 compared to Maruti. Thus, government's effort to popularise 'Maruti' is going to affect the market for other car manufacturing units.

* India Today - March 31, 1983.
e) **Cultural changes:**

Industries in ready made garments manufacturing, food processing and even films are seemed to be affected by cultural changes. These industries then will have to review these changes and come out with proper strategies.

Similarly it is necessary to collect information about the customer. Otherwise, the business has to face serious problems. * For example, Kirloskar Tractors Limited entered into a collaboration with a German company for manufacturing of tractors. Most of the tractors were sold in Madhya Pradesh and Maharashtra. However, the fact that these states have heavy soil was neglected. As a result, the company had to make a free replacement for many tractors. Similarly, another factor for the non-acceptance of the tractors was that Indian farmers were not used to air cooled engines tractors. In India, water cooled engines are popular. Thus, these tractors had to face resistance from the farmers and soon made the company, Kirloskar Tractors Limited a sick company.

* Dr. Dilip Sarwate, Pre-Investment Decisions of Proposed New Industries.*
ii) **Competition Analysis**:

This consists of competitive comparisons including:

a) Market share positions in terms of quantity and value for each of the company's products even in different packagings and groups.

b) Unit Volume - in total and by products, market segments and distribution channels.

c) Product range - full comparison including features, packaging, performance etc.

d) New product launch - details of new products in the last three years, including success or failure and the reasons for the same.

e) Price - including discounts and other non-price benefits offered.

Competition analysis helps in identifying the strengths and weaknesses of the company, compared to its competitors. It shows where the company is in terms of the market share, sales, prices, new products, in relation to its competitors. Product range analysis helps in focusing important features of the product. However, many times such analysis is not made and the product fails to survive in the competition. Here is a case as reported in the
Financial Express is worth quoting. In a company, the marketing manager blamed the costing department for wrong costing of a product because the company's price was twice that of competitors. The costing department felt that there was no scope for price reduction, since the current price hardly covered its full cost. On a detail examination of the product, it was found that the company's product was far superior to its competitors product, in terms of range of operations, speed, durability, spares supplied which should be able to command a premium in the market over the price of the competitors. However, the company had done nothing to distinguish its products from the competitors product.

Competition analysis is no doubt helpful in (identifying) the strengths and weaknesses of the company but it requires a very efficient Marketing Intelligence system which can give reliable and up-to-date data.

iii) Evaluation of the company's position within the total market.

Evaluation of the company's position within the total market can be done by finding out the market growth rate and the relative market share of the company.

This evaluation helps in finding out whether the increase or decrease in company's market share corresponds to the increase or decrease in the total market or not. For example, a company may have maintained its market share at fifty per cent over last few years. However, afterwards the total market may expand by twenty five per cent per year but the company's sales may increase just by five per cent. It means that the company is facing severe competition and its market share is eroding every year.

B. Basic Financial Analysis:

The ultimate objective of any business is to make profits. To achieve this objective, it is necessary to understand the profit performance of individual products or product groups and historical trend of critical factors which contribute towards overall profit performance.

Basic financial analysis is carried out with the
a) Basic financial reports.
b) Budgeting.
c) Value added analysis.
d) Cash use or generation ratio.
e) Ratio analysis.

Each of these is discussed below in detail:

a. **Basic financial reports:**

They include profit and loss account and Balance sheet. These reports give an overall idea of the company's annual reports for the last five years and with competitors, can show the general trends in business regarding various types of expenditure, sales etc.

b. **Budgeting:**

For various marketing operations like advertising, sales promotion, distribution etc. budgets are prepared. Budgeting helps in controlling the actual expenditure on such activities. The Marketing Auditor will try to find out whether there is proper allocation of resources in the budget for various products, markets or not.
Similarly, he will compare the actual expenditure on various activities with the budgetary provisions and there is any discrepancy between these two, he will try to find out reasons for the same.

c. Value added analysis:

It means to look at the business in terms of value added to the basic raw material, which is processed into finished product. It is a technique used to compare the company's performance in prime economic activities with competitor's performance.

d. Cash use or generation ratio:

To judge the performance of business or product group, net balance of cash used to cash generation and the ratio of net cash generated to net sales should be considered.

e. Ratio analysis:

The ratio analysis can help in,

1) Trend analysis
2) Budgeting
3) Comparison with the competitors
4) Comparison with the industry

For ratio analysis it is necessary to work out the following ratios:
The gross margin
General and administrative expenses
Field selling expenses
Bad debts, debtors level etc.
Advertising and Promotion expenses

Absolute figures are meaningless and sometimes misleading. For the purpose of any comparison, all absolute data should be converted into ratios representing meaningful relationships. Computation of ratios very often leads to a further enquiry into the various aspects of the business and its operations. Such an enquiry or investigation can bring out the facts which ordinarily lie hidden behind the figures. The knowledge of such facts can help in solving the problems faced by the business. For example, by working out the ratios the company can find out the relationship between expenditure on various marketing activities and sales. If over the years ratio of bad debts to sales is increasing, the company can take corrective steps to reduce bad debts by reconsidering its credit policy.

C. **Marketing Systems Audit**

There are various aspects of the marketing systems audit, which are as follows:-
1) Marketing and sales organisation.

ii) Marketing Information system.

iii) Marketing Planning system.

iv) Marketing Control system.

v) New product development system.

Each of these aspects is discussed below, in detail:

i) Marketing and Sales organisation:

The audit of the marketing and sales organisation is concerned with evaluating the structure of the organisation and the marketing department. It tries to find out whether it is based on corporate objectives or not, how, when and why the organisation structure is designed and changed. Many times it so happens that the organisation structure designed at the time of starting of the business is continued (which is suitable, may be for small scale operations) even after the business expands. This results in overloading of the people working in the organisation, delays in decision making, assigning different type of activities to same person. For example, in case of a business unit dealing in automobiles, one person was in
charge of looking after servicing of vehicles and purchasing of spare parts. As the number of operations increased, customer's complaints also increased regarding the delays in servicing and supply of spare parts. This was the result of assigning two different types of activities to one person.

The organisation structure should be designed after considering the corporate objectives. However, many times even in case of large scale business organisations, the corporate objectives as well as the marketing objectives are not stated clearly. This affects planning of the business activities as well as budgeting. The organisation audit can focus such defects in a business unit.

ii) Marketing information system

This aspect is concerned with the evaluation of the marketing information system. The objective of the marketing information system is to provide timely, accurate, and factual information to help the decision makers. Therefore, it is necessary to assess regularly the formal system of collecting marketing information. The Marketing Audit tries to find out whether this
information is adequate, accurate up-to-date, and received in time by the decision maker or not. For example a company would like to know periodically, say fortnightly, the position on order booking, despatches and sales receipt. This could be for the head office as well as for the regional office. Based on this information, strategies can be prepared.

iii) Marketing Planning system

The systems audit also covers the marketing planning, long term as well as short term. It tries to find out whether the plans are based on the market information or not, that the plans are prepared for products, market segments etc, and it is seen whether they are reviewed regularly or not.

Marketing plan is an integral part of the corporate plan. If there is no co-ordination between the marketing plan and the plans for production, personnel finance etc, there will be chaos. This may lead to over stocking, shortage of working capital etc.
Marketing plan must be realistic. Present as well as future demand, competition and other environmental factors will have to be considered properly. If only immediate demand is considered, then the business has to face many problems. * For example, as ASIAN GAMES are over, the five star hotels in Delhi are facing problems of falling occupancy ratio and there is a kind of price war between them to attract the clientele. The upcoming five star hotels should have shown the foresight as to what will happen to their business when ASIAN GAMES get over.

iv) Marketing Control System:

The systems audit also reviews the marketing control systems - The assessment of some of these systems may include annual plan control, profitability control, efficiency control and strategic control. A part of this would also consider controlling various marketing expenditures. The Marketing Auditor tries to find out whether any marketing activities have excessive costs, are these costs valid and may recommend cost reducing steps. For this, it is necessary to work out ratios of various marketing expenditures to sales and make a comparison between the ratios for last five years and if
possible with the competitor's marketing expenditure to sales ratios.

v) **New Product Development System**:

Last but not the least important aspect of the systems audit is the evaluation of the new product development system. It covers ideas gathering for development of new products, screening of the ideas, concept development and testing, test marketing and full launch of the new product. The Marketing Auditor tries to find out whether the company is well organised for gathering new product ideas, adequate concept research and business analysis is done before launching a new product.

If sufficient information is not collected before introducing a new product or adequate market testing is not done, then the new product can be a failure. If a product is successful in foreign market, it does not necessarily mean that it will be successful in India. A well known company dealing in household electrical equipments introduced electric shavers in India. Though the quality of the product was good, it failed in
India. There were several reasons for the resistance to this product by Indian consumers. Some of them were hot climate, fear of getting shock and doubts about getting a close shave. These factors were not taken into account by the company.

D. **Product and Packaging Audit**

The objective of the product audit is to secure a complete knowledge of the product range of the company. Its specific characteristics, performance, packaging, its position in the market vis-a-vis the competitors product, the growth or decline of the market and to come out with proper analysis. This will be used in making short term as well as long term plans for the products of the company.

This type of audit will separately study the following aspects:

1) Market share of different products.
2) Product life cycle.
3) Sales and Margin performance.
4) Multi product analysis.
5) Packaging Policy.

Each of these aspects has been dealt with separately below:
1) **Market Share of different products**: 

For a multi-product company depending on the product's strengths and weaknesses, different product will be having different market shares. The increased sales of any of the products may not be a necessary indicator of the effective performance. This increased sale could be on account of inflation or a temporary rise in demand. For example, when there was a strike in Times of India newspaper, the sales of Indian Express increased.

Such an increase in the value or units of sales may not also indicate the customer acceptance and satisfaction towards the company's performance and market is established, a clear picture of the company's performance may not emerge. Market share analysis is a tool to gauge this performance. For example, a company manufacturing three main types of entertainment electrical equipments, has a present market share position as shown in the table below:
Analysing the above table we can see that even though the record players are having a major share in the market, the market itself is declining. Thus, marketing efforts will have to be reduced on this product and may have to be increased for other products where the market is showing an increasing trend. It is obvious that the market share analysis for only one year may not give correct picture or may give a picture only for that year. It is thus imperative that the market share analysis should be continuous activity over a period of four to five years. Then only we will be able to know how the company is performing in the market in relation to the competitors as well as the growth or the decline of the market. A mere sales analysis devoid of any co-relation with the market will give an incomplete picture.
It has been observed that quite a few companies continue with such products which may not contribute to their profits. This could be on account of two reasons:

a. A company may continue with a losing product for the sake of prestige.

b. Because the company is not aware about the profit or loss made by the particular product.

Continuing with the earlier example on the entertainment electronic items, the table may give the following picture in relation to the sales and margins for these three products.

<table>
<thead>
<tr>
<th></th>
<th>T.V.</th>
<th>TAPE RECORDERS</th>
<th>RECORD PLAYERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Rs.5 crores</td>
<td>Rs.3.50 crores</td>
<td>Rs.1.50 crores</td>
</tr>
<tr>
<td>Margin</td>
<td>15%</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
<td>Average increase in sales per year over a period of five years.</td>
<td>17%</td>
<td>22%</td>
<td>2%</td>
</tr>
</tbody>
</table>
iii) **Product life cycle**:

A study of number of products over a long period has revealed that every product goes through specific stages, as shown in the graph:

![Graph showing product life cycle stages](image)

These stages have been identified as introduction, growth, maturity and decline. Needless to say that the marketing strategy that will have to be practised will be different for these different stages. It thus becomes important to find out the stage in the product life cycle of every product of the company. The marketing mix comprises of product, price, place and promotion.

The task of the Marketing Auditor is then to find out the stage of the product in the product life cycle and that due emphasis is given on the various elements of the marketing mix considering customer expectations, competitive activities and prevailing environment.
iv) **Multi-Product Analysis**:

Depending on the product mix of the company, it will have to be studied if there is any inter-relation of demand. For example, in the company manufacturing T.V., tape recorders and record players, the last two will be directly competing with each other. Thus, if the sales of tape recorders go up, that could be at the cost of record players. As against that, if this company is also manufacturing electronic calculators, there will not be any inter-relation of demand for these products. This also happens for consumer companies when they introduce another brand in the existing product line. It was reported that Hindustan Lever had a market share of around 7% for their 'Signal' brand of tooth paste when they introduced another brand 'Close-up'. They might have hoped to increase their market share to 14% with two brands in the market. That however, did not happen and it was found after some time that their market share had remained static at 7% only. This was also obviously for reasons of competition within these two brands.
v) Packaging Policy:

Until recently, packaging was considered a minor element in the marketing mix for a product. However, the increasing cost of packaging materials, innovational opportunity for packaging materials, changing attitude of the consumers towards packaging etc. have changed this attitude. It has been realised that packaging can help in establishing brand image of the company, and can be an additional feature of the product. Therefore, along with the two traditional objectives of economy and protection of the product, packaging has two more objectives to be fulfilled. They are consumer convenience and sales promotion.

It is necessary to review the packaging policy because continuous innovations are taking place in packaging materials, particularly for consumer products. The Marketing Auditor has to review all the aspects of packaging decisions like size, shape, materials, colour, cost of packaging, image projected by the package, brand identity and aid of the packaging to product positioning.
Such a review of the packaging policy can help in achieving the packaging objectives more effectively. For example, a company found out that packaging cost can be reduced if the product is sold in re-fill pack instead of selling various types of tins. This was for, brand of Vanaspati, Sunflower. Consumers can get the benefit by purchasing refill packs at lower price. As prices of the final product are continuously rising, this strategy can offer price advantage to the consumer.

F. Pricing and Discounts:

This type of audit has the following objectives:

a. To get an understanding of the factors influencing prices and pricing decisions.

b. To examine the prices and pricing policy and assess whether they are in line with the overall marketing objectives.

For carrying out this type of audit, it is necessary to collect data on:

1) Market - Market evolution, competition, pricing sensitivity.
ii) Company data - Product evolution, pricing methods, reactions to cost changes, variables related to price.

iii) Pricing strategies and marketing objectives.

Pricing audit tries to evaluate:

a. Factors influencing prices.
b. Pricing decisions.
c. Pricing policy.

da. Factors influencing prices:

One of the most important factor in determining the success of a product is its price. There are various factors influencing the prices. For example, the environmental conditions are continuously changing. There may be a change in raw material price, prices charged by the competitors or in the marketing mix of the company etc.

Evaluation of all these factors becomes essential to ensure that prices are in tune with the changing environmental conditions.
b. Pricing decisions:

In practice, there are various methods used for making pricing decisions. For example,

i. Cost Plus - This is the simplest way of determining the price of a product. A fixed percentage of gross margin is added to the total cost to determine the price. However, this method does not take the into account price elasticity and it is difficult to determine the optimum percentage of profit.

ii. Target pricing - Under this method the company fixes a price to get a desired rate of return on its total costs for an estimated fixed volume. But this method does not take into account the demand at various price levels.

iii. Demand oriented pricing - This method considers intensity of demand for fixing the price. A high price is charged when demand is low even though unit costs may be the same in both the cases.
iv) **Competition oriented pricing**: Under this method the company considers the prices charged by its competitors to fix the price of a product. There are two types of competition oriented pricing.

a. **Going rate pricing**:  
The company tries to keep its price at the average level charged by the industry.

b. **Sealed bid pricing**:  
This method is adopted when the company competes for jobs, on the basis of bids.

c. **Price Policy**:

The price policy of a company may aim at

i) **Market penetration**:

The company may set a relatively low price in order to stimulate growth and capture a large share of the market particularly when the market is highly price sensitive and low price can discourage competition.
ii) **Market skimming**

Under this, the company wants to gain a premium from the buyers who are ready to pay higher price than others, because the product, for one reason or another has high present value to them. Afterwards, the company gradually reduces the price to draw in the more price elastic segments of market.

iii) **Multi-product pricing**

A company may have a wide product mix, amongst which some products may fall in the same product group. For example, a soft drink manufacturer may have two or three flavours such as cola, orange, lime etc. or a soap manufacturer may have three or four different brands. As all these products in their respective groups will be serving the same generic need, they are likely to compete with each other. Depending on the target market, the customer requirements and the market potential, price structure will have to be developed.

The task of the Marketing Auditor is to find out;
a. How the company handles the cost changes.

b. That, it has historical data for the last five years, covering average net selling price, unit sales, gross margin, unit cost, market share, and profit contribution.

c. That the pricing decisions are not based on only one method like cost plus, but all the methods and various factors like environmental changes, stage of the product in product life cycle etc. are considered while fixing the price.

d. Various non-price benefits offered by the company and their effectiveness.

e. Lastly, the marketing auditor will try to compare the company's product against its competitors in terms of quality, price, non-price benefits and market share.

For example, the classic case can be quoted of 'CLASSIC' Cigarette' marketed by India Tobacco Company. This is considered as a premium cigarette priced at Rs.15 per pack of twenty cigarettes. This particular brand is not performing well and the company is reviewing
its price policy. An observation can be made that Indian consumers could go in for an imported (smuggled) brand almost at the same price, to get some kind of superior psychological feeling. As such, premium on the cigarettes made in India may not be found acceptable.

Along with the pricing, it is necessary to evaluate the discount structure also. Discount structure has to be developed in relation to the channels of distribution and can be used for increasing sales. Therefore, it is necessary to develop a proper discount structure. This could be on the basis of,

i) Type of customer - like original equipment manufactures (DEM) actual users, and re-sellers.

ii) Type of re-seller - distributors, dealers, retailers.

iii) Volume - on one time basis or yearly basis.

iv) Payment terms - cash discount or credit, say for 30 days, 45 days etc.
The Marketing Auditor will evaluate the discount structure of a company, by considering increase in sales and compare it with the competitor's discount structure. He will try to find out whether the company reviews its discount structure periodically or not. A continuous review of the discount structure is necessary to develop the most profitable discount structure. The extent of discount may be different for different types of customers. For example, a company manufacturing pumps divided its customers into three different types like OEM, for example sugar machinery manufacturers, actual users like farmers, industry, dealers etc. By reviewing the discount structure periodically, the company found out a profitable discount structure giving 35% to OEM, 30% to dealers and none for actual users. As orders booked in terms of the volume by these customers are different, a differential discount structure can be designed.

F. Advertising and Public Relations:

The objective of advertising audit is to find out a sensible allotment of resources and the
effectiveness of the same. This type of audit covers,

1) The Advertising objectives.
2) The Advertising budget.
3) The Advertising agency.
4) Public relations.

Each of the above mentioned points are discussed separately below:

1) The Advertising objectives:

It is necessary to have specific objectives for advertising and they should be related to overall marketing objectives. Advertising objectives may be to inform customers about the product and to create brand awareness or to change the image of the company etc. It is necessary to have specific objectives for advertising. Otherwise, it will create difficulties in setting the budget for advertising. For example, in a new company, initially the advertising objective may be to inform the customers about its existence and the products. Over the years as more products
are added to the product mix of the company, the advertising objectives may be to create brand identity.

ii) The Advertising budget:

The common problem in case of advertising is to decide how much to spend on advertising. Various methods which are used for determining the advertising budget are:

a. Affordable method:

Many companies set their advertising budget on the basis of what they think the company can afford. The basic weakness of this method is that it entirely overlooks the company's current opportunities in the use of advertising.

b. Percentage of sales method:

A company may set its advertising expenditure at a specified percentage of sales. However, this method leads to an appropriation set by the availability of funds rather than by opportunities. Also, it does not take into consideration the stages of product life cycle of different products of the company.
c. **Competitive parity method:**

Some of the companies set their budgets specifically to match competitors outlay. However, this method neglects the fact that advertising resources, objectives and opportunities may differ from company to company.

d. **Objective and task method:**

Under this method, on the basis of advertising objectives, advertising appropriations by products and territories are determined first and then, the tasks that could be performed by different promo-tools are considered. On this basis, the total costs are arrived at. This is by far the most scientific method of determining budget. This is more suitable for multi-product and multi-market companies.

In fact, while setting advertising budget, it is necessary to consider the advertising objectives and all the methods mentioned above. The Marketing Auditor tries to find out, whether the budget reflects the advertising
objectives or not, the factors like stage of
the product, in the product life cycle,
competitor's strategy, financial position
of the company and the prevailing environment
conditions.

iii) The Advertising Agency:

Many companies use the services of advertising
agencies to advertise the product or to prepare
advertising theme, literature etc. It is
necessary to supply sufficient information to
the advertising agency regarding historical
sales figures, trends in sales, market research
findings, consumer attitudes, product features
and benefits, media requirements etc.

The Marketing Auditor tries to evaluate the
services of the agency and its cost to decide
whether the services are really justified or
the company should manage advertising on its
own.

iv) Media Advertising:

A company may use different media for advertising
different products like radio, T.V, newspapers
etc. While selecting media it is necessary to
consider its cost, coverage of target customers, impact it can offer etc. The competitor's strategy in this respect can also be studied. The Marketing Auditor tries to find out whether the company considers all the possible media for a product and reviews the strategy of selecting media continuously. This should help in determining the effectiveness of the media. For example, a company manufacturing different types of industrial product, carried out promotion effectiveness study to find out which media is more effective, which type of advertisements appeal to the customers. For this, a postal survey was carried out. The company found out that newspaper advertising was not effective. As against that, holding technical seminars and distributing good quality sales literature were found to be more effective. As the number of customers was small, through these methods it was easier and effective to reach them to communicate the message.
v) **Public Relations**:

To create a favourable image of the company and its products in the public, it is necessary to have public relations programme. It is necessary to maintain good relations with the society, customers, shareholders and suppliers. Public relations programmes may include news letters, regular briefing to the press people, about the company's achievements and the contribution to the society in general.

The Marketing Auditor has to evaluate the public relations of a company and the performance of public relations staff by considering their authorities, responsibilities, job specifications and personal work programmes.

G. **Distribution and Sales force Audit**:

Distribution is one of the essential functions of marketing. Very commonly, it aims at bringing the right types of goods to right types of customers at the right places and at the right price. However,
the actual area of distribution is much more wider than as described earlier. Especially, in a large country like India, both in terms of geographical coverage as well as the number of customers to be reached, distribution assumes greater importance. Needless to say that for any company to be effective, their distribution strategies too will have to be dynamic.

The decisions on distribution are taken under two main heads:

a. Physical distribution.
b. Channels of distribution.

Physical distribution covers each and every activity from the time of obtaining accessories that go along with the company's product, warehousing of the same, packaging, warehousing of finished goods, transportation, field warehousing and deciding the inventory levels, designing channels of distribution and finally providing service on the goods supplied, if the goods demand so. Thus physical distribution is at a macro level while the channel of distribution is at a micro level and is a part of physical distribution decisions. Channels of distribution mainly aim at
designing the channel links, controlling the channel flows (physical flows, title flow, cash flow) and the actual selection of the intermediaries.

The distribution audit under this respective heads covers the following:

a. **Physical Distribution Audit** :

   It deals with the evaluation of the following aspects.

   i) Alternatives in physical distribution.
   ii) Modes of transportation.
   iii) Warehousing.
   iv) Inventory decisions.

b. **Channels of Distribution** :

   This part covers,

   i) Designing of the channels of distribution.
   ii) Selection of the intermediaries in terms of quantity as well as quality.
   iii) Overall effectiveness of the channels of distribution in tune with the company’s marketing objectives.
Each of these aspects are discussed below:

a. **Physical Distribution Audit:**

1) **Alternatives in physical distribution:**

Depending on the types of products marketed by the company, as well as the markets catered there could be various alternatives in the physical distribution. These may include a single market like a bakery catering only to a local market because of the perishable nature of the product and the transport economics involved. The second alternative could be single plant catering to multiple market. For example, a scooter manufacturer at Pune can supply vehicles all over the country as well as abroad. Alternatively, he could establish assembly plants at a few places across the country where the cost of labour may be lower and thus he can get the benefit of lower cost of manufacturing. At the main plant, he can use mass production techniques and then transport the sub-assemblies to his various assembly plants, which will then cater to the markets nearby. This is the principle which is used by Scooter India Limited which
supplies sub-assemblies to some of its assembly plants from its main plant. Third alternative will be to have multiple plants catering to multiple markets.

In the marketing audit all such possibilities are examined carefully, to help the company to arrive at the correct decision on physical distribution in view of the transport economics involved and possibility of reaching the market quickly.

ii) Modes of transportation:

One of the major objectives of physical distribution is to take goods to the consumers quickly and at the lowest possible cost. In practice, these two objectives may prove contradictory. That is why periodic audit is essential of the alternatives available of the different modes of transportation. These naturally include transportation by road, rail, air and sea as the case may be and for the markets catered. Specially, in the last two years, the cost of transportation has gone up considerably. A continuous review of the various alternative modes of transportation
which is an important part of distribution audit, can help in evolving the best combination of various modes of transportation.

iii) Warehousing:

In order to be nearer to the market, the companies may have to set up their own warehouses across the country. This is specially true for the mass consumable goods like foodgrains, tooth paste, soaps etc. Setting up of warehouses is an investment decision. If they are not located at the proper places and are inadequate to fulfill the objectives of effective distribution, this investment will be wasted. Thus, an audit of the existing warehouses and the contribution made by them will have to be continuously carried out.

iv) Inventory decisions:

If a company over-stocks, then it has to incur more than the required inventory charges. If it under stocks, there is a possibility of lost opportunities in the market. The inventory decisions are therefore
very important. The audit covers,

a. Stock levels maintained and their adequacy.
b. Order interval.
c. Order lot.
d. Inventory carrying cost.

Review of the above can provide important guidelines towards optimum decisions on inventory.

b. Channels of Distribution:

Intermediaries are a must for several types of products. These may include products for which there is all India market and the number of customers is very large. It may not be possible for the manufacturer to reach the customers physically and economically. Intermediaries could be beneficial as they may know their markets better than the manufacturer and are in a position to provide prompt after sales service and may help the company in meeting part of its working capital requirements.
A large number of intermediaries or a very small number of intermediaries can create problems for a company. An example can be quoted here for a company manufacturing diesel engines and having a wide distribution network in the country, comprising of around three hundred and fifty dealers. With these many outlets, the company should have been performing well. However, over the years their market share has been declining. When a study was carried out to find out the causes of the same, the major pointer was the ineffectiveness and the complacency that has set with their dealers over the years. After this audit, the company now is carrying out a complete restructuring of their dealer network.

c. Sales Force Audit:

A company will have to decide whether it should treat its sales force as an asset or as an expense. Based on this philosophy only, the company will be able to get the most out of its salesmen. In any case, salesmen is a costly proposition and every
company will like to put it to the best use. Sales people are constantly moving in the market, coming in contact with the customers, dealers, competitors and others who might be operating in the company's marketing system. As such they are also one of the most important sources of information. Sales people to a large extent are also responsible for bringing orders and fulfilling the targets. It will thus, have to be seen that sales force is adequate, quantitatively as well as qualitatively.

The sales force audit should cover the following aspects:

i) Analysis of the sales force size.
ii) Qualitative evaluation.
iii) Sales force cost analysis.

Each of the above aspects are discussed below:

1) Analysis of the sales force size:

Many times it so happens that a company loses marketing opportunities because of inadequate sales-man power while some
other companies may have excess of sales manpower which becomes a burden on the company. It will thus have to be reviewed that for the market potential and the share of the same aimed by the company the sales force is quantitatively adequate. This will, of course be in relation to the average input that can be offered by an individual salesman.

ii) **Qualitative Evaluation:**

As the sales people will be operating in the field it will have to be ensured that they are fully equipped. This may include adequate product knowledge, commercial knowledge such as understanding of different taxes and the implication of giving credit, knowledge about the organisation and its philosophy and a certain level of salesmanship. Further, they will also have to be highly motivated. Only then these sales persons would perform as per the expectations. An audit can be carried out by periodically talking to the sales persons and assessing their attitudes as well as their performances. If any shortcomings are observed, the sales persons
could be then put on some kind of training
to bring them back to the desired levels.

iii) **Sales force cost analysis**

Ultimately the contribution of the sales
force will have to be evaluated in terms
of money. For this, relationships will
have to be worked out between the sales
revenues and the salesforce cost. This
analysis can be done under the respective
heads:

a. Product
b. Territories.
c. Customer groups.

A comparison will be carried out on these
costs with the competitors which could also
reveal the strategy adopted for sales force,
or for the company trends could be observed
over the years which will again give some
indications.
3.9 Marketing Audit should be done continuously. Many times, evaluations are done only when the company is facing problems or is under crisis.

* Under crisis conditions, there is a pressure on the management to do something immediately and to improve the situation. A crisis in the organisation may mean that the company is facing financial difficulties and therefore the company has less time and resources for a complete evaluation of the marketing operations. Under such conditions, the objective is to find out immediate solution to the problems. No doubt, the Marketing Audit will help in this respect, but due to the haste of management to find out immediate solution, the important objective of Marketing Audit to highlight the basic defects and weaknesses in marketing operations may not be achieved.

On the other hand, in case of a smoothly running company, there is no question of resources. Success tends to foster laxity, carelessness and permits traditions and habits. It leads some marketing executives to become so deeply involved

* AMA - The Marketing Job - The Marketing Audit by Abe Shuchman.
with the existing policies and methods that they never bother to examine the possibility of performing the marketing task in other ways. The negligence, waste, blind obedience to traditions and habits which breed so easily can become extremely noxious if permitted to develop unchecked. They can appear anywhere in a marketing organisation. Such factors must be identified and eliminated just as soon as they appear. The dangers of the success suggest the need for a Marketing Audit.

3.10 Once it is decided to conduct a Marketing Audit, the question arises, who should conduct it? The quality of the audit depends on the character of the auditors. Experience, know-how and creative imagination are necessary to recognise the problems and opportunities that may arise. Therefore, the auditors should be critical, impartial, knowledgeable and creative. They must not be so wedded to existing policies and procedures that they cannot be critical and objective in their assessment.

As far as possible, independent outside auditors should be appointed to conduct the Marketing Audit.
This will help in having unbiased evaluation of the marketing operations.

However, if it is not at all possible to appoint outside auditors, the company may adopt any of the following courses:

* i) **Self Audit**:

   A company can ask the executive who is directly in charge of an activity to appraise its strength and weaknesses.

ii) **Audit from across**:

   A company can assign persons in a related activity on the same functional level to prepare the audit of the neighbouring activity.

iii) **Company auditing office**:

   The company can establish an office with the responsibility for conducting an Marketing Audit for the whole company.

iv) **Audit by a superior officer**: 

The audit can be conducted by the executive to whom the manager reports.

v) **Company task force audit**: 

The company can appoint a team of executives with varied backgrounds and experience to conduct the audit.

3.11 As far as the process of Marketing Audit is concerned, there is no well established process like in case of financial accounting. Where as two certified financial accountants will handle an audit assignment using approximately the same methodology, two marketing auditors are likely to bring different conceptions of auditing process to their task.

* Philip Kotler has recommended a three step procedure for Marketing Audit.

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Agreement on objectives 
scope, approach to the 
Marketing Audit. 

Data collection 

Report preparation and presentation
```

* Marketing Audit comes of Age - Philip Kotler 

1) **Setting objectives and scope:**

This calls for a meeting between the company officers and a marketing auditor to explore the nature of marketing operation and the potential value of a Marketing Audit. When the company officer is convinced of the potential benefits of a Marketing Audit, he and the auditor will have to work out an agreement on objectives, coverage, depth, data sources, report format, time period for the audit.

If the company has branches audit will also cover the branches. The audit should focus on the marketing operations and also purchasing and inventory systems since they immediately affect marketing performance.

The company could furnish the auditor with published and private data on the industry. The auditor would interview all key corporate and branch management personnel, sales, purchasing personnel and important customers.

ii) **Gathering the data:**

Generally the audit is conducted not by a single auditor but by a team of auditors. Major time of the auditors is spent for the
collection of data. It is necessary to prepare a detailed plan as to who is to be interviewed by whom, questions, time, place, etc. It will help in minimising time and cost of the Marketing Audit. Daily reports of the individuals in the team can show new areas of exploration, while the data is being gathered. The auditor should not rely solely on data and opinion of those being audited, customers are important for data collection. Many companies do not really understand how their customers see them and their competitors, nor do they fully understand customer needs. To find out such facts it is necessary to ask questions to company salesmen, marketing personnel, end users. In case of one company the auditors found out that according to the company's customers quality of technical support services, prompt delivery and quick response to the customers needs were the important factors for purchasing the product.

On the other hand the company salesmen thought that the customers are purchasing the product
because of company's reputation, and secondly quick response to customer's needs and thirdly technical support services.

Marketing strategy planners were thinking that customers purchased the products considering price and quality and quick response to customers needs.

Thus, there is lack of consonance between what customers say they want, what the company salesmen are responding to and what planners emphasis. The Marketing Audit can expose these discrepancies and suggest ways to improve marketing consensus.

iii) Preparation of Report:

The Marketing Auditor will develop tentative conclusions as the data comes in. He should see the company officers to find out their reactions and suggestions.

The report should include - restating of the objectives, showing main findings and recommendations.

A debate may take place on the presentation of the final report. Most valuable part of
the Marketing Audit lies not so much in the auditors recommendations but in the process that the managers of the company begin to go through debate and develop their own concept of the needed marketing action.

3.11 Many companies in U.S.A. conduct the Marketing Audit as an inside audit. Marketing Audit procedure for an inside audit differs from company to company.

One company forms corporate teams and sends them into weak divisions to do a complete business audit with heavy emphasis on marketing. (International Telephone and Telegraph company).

General Electric's Corporate Consulting division helps to various divisions on their marketing problems and on a request conducts a Marketing Audit also. Three 'M' company has the following procedure for the Marketing Audit.

The company has a Marketing Plan Audit office with a small staff at the company headquarters. It's main purpose is to help the divisional manager to improve marketing planning and strategies, tactics. A divisional manager has to invite the audit. Only he can see the results and it is up to him whether he wants wider distribution of the results.
The Audit centers around a marketing plan for a product or product line for the coming year. This plan is reviewed at a personal presentation by a special team of six company marketing executives invited by the Marketing Plan Audit Offices. A new team is formulated for each audit. Team consists of the marketing manager from another division, a national sales manager, a marketing executive with technical background, another person who is totally unfamiliar with the market, product. This person usually raises some important points, others forget to raise.

A summary of the Marketing Managers Plan is provided to the six auditors before ten days of the meeting. The marketing manager describes the divisions competitive situation, long-run strategy and planned tactics. Then discussion takes place. Before the meeting ends auditors fill in a marketing plan evaluation form consisting of questions, accompanied by numerical rating scales and room for components. The evaluations are analysed and summarised after the meeting.

3.12 Which companies can benefit most from a Marketing Audit?

All companies can be benefited from the Marketing Audit, however it will be more useful to following
1. **Production oriented and technical oriented companies.**

Such companies in the beginning have only one product. Afterwards, they go on adding the products, that appeal to the technical interest of the management, usually with insufficient attention to market potential. The feeling in these companies is that marketing is paid to sell what the company decides to make. After some failures decision is taken to study and serve customer needs. But it requires organisational and attitude changes. The Marketing Auditor can show that the problem lies in the production orientation and guide the management towards the market orientation.

2. **Troubled divisions**

Multi-division companies usually have one or more troubled divisions which need services of a Marketing Auditor. Such divisions affect overall profitability of the company. Therefore, it is necessary to take corrective steps, as soon as the trouble appears.
3. **High performing division:**

To make sure that they are reaching their highest potential and on the verge of sudden reversal, a Marketing Audit is necessary. Here, the Marketing Audit can also give insights into how to improve marketing performance in other divisions.

4. **Young Companies:**

The Marketing Audit can help the new companies or new divisions of existing companies to lay down a solid marketing approach, at a time when management faces a great degree of market inexperience.

5. **Non-Profit organisations:**

Such organisations also think in marketing terms. For these organisations the Marketing Audit can serve a useful educational as well as diagnostic tool.

3.13 Though, Marketing Audit can help in improving profitable performance of a company, there are some practical problems in conducting the audit.
They are as follows :-

1) Selection of auditors:

Quality of the audit depends on the character of the auditors. The question is whether to appoint outside auditors or people already working in the organisation, ex-employees of the organisation. Outside auditors will have an unbiased attitude while evaluating the performance of marketing operations. But financially weak companies may find it difficult to appoint outside auditors.

2) Scheduling the Audit:

The Marketing Audit is a long term project. There is a danger of delay in the execution (particularly due to lack of sufficient information) or interest of the management in the audit may be dissipated or the conditions may change to such a degree, that findings when reported may describe the marketing situation as it was rather than as it is.

3) The Market Personnel:

The success of Marketing Audit depends on full co-operation of all the marketing personnel. However, the Marketing Audit is
To J. C. Gandhi

Air Fare
-  Bombay to Bombay: 705
-  Bombay to Delhi: 205
-  Delhi to Bombay: 205

Train Fare
-  Bombay to Pune: 1410
-  Pune to Bombay: 1410

Conveyance Allowance
-  All Expenses
-  From Residence to Airport & Return
often regarded as a personal evaluation. The marketing personnel may consider the audit as a threat to their status and aspiration and therefore resist it. Their resistance may make it impossible to obtain accurate information.

iv) Setting up objectives for Audit:

Generally the Marketing Auditor and the company executives decide upon the objectives of a Marketing Audit. However, if new problems arise during the process of the audit or as more information is collected, it may become necessary to change the original set of objectives.

v) Report Presentation:

At the time of starting the audit, it is very difficult to prove the utility of it. If there are higher expectations of the management, then, the actual report may create difficulties for the auditor.

vi) Implementation of the Recommendations:

Wrong or non-implementation of the auditors recommendations is the most important problem involved in the Marketing Audit. Conclusion
of the audit may result into organisational changes i.e. organisational promotions or demotions. Organisational promotions and demotions are exclusively executive decisions. The Marketing Auditor may recommend some organisational changes along with other recommendations. However, the company executives may fail to understand the implications of other recommendations only minor recommendations may be implemented and other recommendations may be neglected.

3.14 However, these problems can be minimised by taking certain steps:

As far as the first problem i.e. selection of the auditors is concerned, it is not necessary that every time outside auditors should be appointed. Considering the nature of the marketing problems, resources of the company, outside auditors should be appointed. If the problems are serious, outside auditors are necessary, even though the audit may prove costly. Under normal conditions the Marketing Audit can be conducted as a part of Internal Audit.
There are various ways of conducting the Marketing Audit as a part of the Internal Audit, to which I have already made a reference on page numbers eighty eight, eighty nine and ninety.

The second problem, that is scheduling of the Marketing Audit can be solved by preparing a detail plan and time table as to the collection of the information, interviews etc.

To solve the third and important problem of co-operation of marketing personnel, it is necessary to ensure them that the Marketing Audit is not a fault finding expedition, but it is a full scale search for ideas and tools which will enable everyone to do a better job, and that it could not possibly be obtained through normal channels and routines of marketing operations. The Marketing Auditor should guarantee confidentiality of the individual comments and opinions to secure their co-operation.

As far as the fourth problem that is, objectives of the audit is concerned, if the circumstances demand, they can be changed with the consent of company executives.
Last two problems, i.e. presentation of the report and non-implementation of recommendations depend on the character of the auditor himself. If there is really nothing wrong with the company's marketing performance, he should be frank enough to say so. Wrong implementation can be avoided by explaining properly the recommendations and their implications, to company executives. If the Marketing Auditor is able to convince the utility of his recommendations to the management and company executives, problem of non-implementation of the recommendations will not arise.

3.15 In conclusions, it is upto the management to put the Marketing Audit to its best use, may be there is nothing new in it, however a conscious effort to improve the overall performance is the end result. Marketing Audit is a time consuming process. It calls for meticulousness and highly analytical approach. In return, the dividends obtained on this investment will themselves justify the need for a systematic audit. As Confucian said, 'the essence of knowledge is having it, is to apply it'. The Marketing Audit is no exception to this.