Original Article

Marketing audits: The forgotten side of management?

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ABSTRACT One of the most profound changes in the business landscape over the last two decades has been the new emphasis on evaluating and managing performance. The urgency of financial performances has been accompanied by growing awareness that these are not sustainable unless the pillars on which they are based – marketing included – are properly assessed. On the other hand, many organizations and professionals still consider marketing as a highly qualitative and creative discipline where almost everything fits and few things are measured. Recent evidence shows that this is not the case. This article seeks to highlight the importance of audits as a means of revising and improving marketing practice, arguing that the concept, while well developed, will need to address some new realities emerging from the changing marketing landscape. This is necessary if marketing audits want to maintain their viability as an important management tool in the future.

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INTRODUCTION

Organizations intending to improve their performance as a condition of survival and future development need to analyze their main functions periodically, through operational methods that allow the evaluation of their current performance and function as management guides.

It is an inescapable reality that marketing is undergoing a crisis in its ‘toolbox’.^{1–6} In fact, and despite the proliferation of financial and non-financial isolated performance measures,^{7,8} the necessary instrumentation to assess the

appropriateness of marketing activities has received limited attention in the literature.

The rapidly changing marketplace and the pressure put on marketers to justify their existence have highlighted the need for the refinement of methods aimed to increase marketing performance. Once marketing as a discipline has historically focused more on the results than on the processes and systems that allow it,^{9,10} this study intends to stimulate further research on marketing audits.

To that end, the present work begins by reviewing the relevant literature on the subject. Second, the views of a Delphi panel concerning issues relevant to marketing practice are reported. Finally, a concluding note is presented.

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THEORETICAL BACKGROUND

Marketing as an organizational process

The word 'marketing' is commonly used to delineate very different things. On the one hand, it is considered as a management philosophy that seeks to express *why* and *how* a company should adapt to and influence its market. On the other hand, it embodies the corporate subsystem, often called department, which develops a set of tasks regarding marketing implementation. In both definitions, although with differing emphasis, it is possible to identify three dimensions underlying the concept: an action dimension, an analysis dimension and a culture dimension.¹¹ Probably the most visible trend in practice is the one that considers marketing to the action dimension, at the expense of other analytical and behavioral components. Marketing audits help to bridge the gap between the activity orientation of the discipline and parameters that lend themselves to measurement.

Moreover, the practice of marketing has focused its attention mainly on substance – *what*, but an equally important aspect, though relatively neglected, is the marketing process¹² – *how* marketers develop their tasks. The process is as important as the substance because it determines the nature and quality of decisions. Unfortunately, studying processes is considerably more difficult than studying substance.¹³

Whether viewed as a function, a business philosophy or a set of specific activities, marketing scholars have long held that the core objective of marketing is to attract and retain customers. But to achieve this goal, the organization must design and execute many work practices, most commonly referred to as marketing processes. When marketing begins with consumers (identifying needs) and ends with consumers (satisfying needs) then all activities capable of influencing them should be considered within its scope and properly assessed.¹⁴

Concept and value of marketing audits

Traditionally, marketing productivity analysis (mainly from an efficiency perspective) and the

marketing audit concept (mainly from an effectiveness perspective) have dominated the approaches to marketing performance assessment.¹⁵

The introduction of the audit concept in the marketing literature dates from the late 1950s, through a report produced by the American Management Association entitled *Analyzing and Improving Marketing Performance: Marketing Audits in Theory and Practice*. The report defined for the first time the domain of marketing audits and some associated elements – concept, objectives, issues, types and content.¹⁶

According to Kotler *et al.*,¹⁷ 'a marketing audit is a comprehensive, systematic, independent, and periodic examination of a company's – or business unit's – marketing environment, objectives, strategies, and activities with a view to determining problem areas and opportunities and recommending a plan of action to improve the company's marketing performance' (p. 50).

According to Mokwa¹⁸, the marketing audit can be viewed as 'a policy innovation used first to increase awareness and comprehension and then to implement and evaluate marketing methods and performance' (p. 88), being simultaneously an educational process, an action framework, an instrument for intervention and an agent for change.

In summary, marketing audits provide a mechanism for implementing quality initiatives within the area and for considering ways in which current marketing processes could be re-engineered to deliver greater value to consumers and business alike. Far from being a complete answer or infallible solution to existing marketing problems, audits nevertheless provide a valid mechanism for approaching them in a structured manner. Yet, they require skilled professionals who combine technical, analytical and interpersonal relationship skills.¹⁹ Their more enthusiastic supporters maintain that they are the 'better way to analyse, evaluate, and improve the marketing function' (p. 232),²⁰ or the 'discipline's most complete strategic control mechanism' (p. 2).²¹ More recently, in one of the few empirical studies on the subject, evidence was revealed that justifies periodic performance

of marketing audits as a prerequisite for successful market strategies.²²

Checklist approach to marketing audits

A common approach to marketing audit consists in using a diagnosis questions checklist. The answer to these questions will provide information on the organization's marketing 'health'. This information can then be compared with a pre-defined set of benchmarks, expectations or goals. Regardless of the approach that has been used to establish these benchmarks, the auditors should have a clear view on the reason that leads them to ask certain questions and on the interpretation they will give to answers. Implicit in each question is the expectation that answers will mean good or bad marketing practice. Therefore, in most cases the questions will involve a preconceived idea of what should be the content of good marketing practice for the organization, taking into account the industry it belongs to.¹⁹ This model can be derived from existing literature, empirical studies, management intentions, external practices or market experts.

The logic of checklists translates to devising a comprehensive set of questions or statements covering all marketing activities; relevant items can be selected and, hopefully, from answers given and respective relationships will emerge guidelines for improvement. In this context, the more complete a particular instrument is, the easier it will be for users to choose the most relevant aspects for each particular situation.

However, it is important to bear in mind that it seems difficult to design a checklist to serve as a universal model. Furthermore, 'checklists can inhibit creative thinking and produce an ill-considered acceptance of what is revealed' (p. 1),²³ in the sense that when blindly used, unexpected ideas that may arise during the process will hardly be taken into account. Checklists will only then be considered as the starting point, that is, the rational, logical and technically grounded annotation of marketing aspects that impact company performance. To be fully effective, they require not only filtering or

redirection, but may also need supplements or deletions in order to serve both the auditor's needs and the company's aspirations. In a word, they need to be adapted, as they are only a means to achieve certain objectives, and not an end in themselves.

We present in Table 1, by author(s) name and in chronological sequence, the main checklists identified in the literature, along with a brief characterization.

THE STUDY

Method

In order to assess the value of audits as a tool to evaluate marketing practice and to identify evaluative dimensions allowing its refinement, a Delphi study was conducted among a seasoned group of marketing executives. This method has been shown to be superior to some other methods of group judgment techniques.^{30,31}

An intentional sample was drawn from the Portuguese Stock Index to serve on the Delphi panel. This group of professionals was selected due to their knowledge and experience in the field, as crucial to a successful Delphi is the choice of experts.

All potential panelists were contacted personally, by telephone or through e-mail. The initiative aimed to explain the purpose of the study and the tasks involved, and to validate their participation. After this procedure, in which some executives claimed unavailability to participate, we came to a Delphi panel composed of 13 experts belonging to the financial, manufacturing, utilities and retail industries. The identity of each panelist was not disclosed to the other panel members, ensuring anonymity of responses.

The study comprised two phases. The modification of the Delphi process used here, which considers prior information through a series of interviews before beginning the Delphi, is called SEER – System for Event Evaluation and Review.³²

In the first phase, all the Delphi panelists were personally interviewed and asked to respond to a questionnaire consisting of five

Table 1: Most representative checklists

<i>Author(s)</i>	<i>Main features</i>
Kotler ²⁴	Focus on marketing effectiveness, which is proposed to be a function of five features: (1) customer philosophy, (2) integrated marketing organization, (3) adequate marketing information, (4) strategic orientation and (5) operational efficiency. Each of these features is evaluated through a more detailed checklist of three close-ended questions, relative to which a possible score of 0, 1 or 2 is attributed, according to pre-defined benchmarks. This procedure results in a numerical marketing effectiveness score, ranging from 0 (inexistent) to 30 (superior)
McConnel ²⁵	Complete methodology to evaluate marketing and sales. Questions, totaling 482, are grouped in 15 categories: (1) department mission, (2) department organization, (3) planning, (4) department personnel, (5) control, (6) sales management, (7) sales force qualification, (8) sales force training, (9) sales force compensation, (10) distribution channels, (11) advertising and sales promotions, (12) price policies, (13) credit policies, (14) market research (15) product service policies. Most of the questions are answered in Yes/No form. Evaluating questions supposes a comparison between answers given and answers previously developed (benchmarks), to which corresponds a defined score. Scores vary between 1 and 9. At the end, punctuation for each category is compared with maximum punctuation for each category, and through this process an evaluation of effectiveness is obtained
McDonald ²⁶	Self-assessment method similar to McConnel. The instrument is divided into seven sections, which in turn are composed of a variable number of chapters, 24 on aggregate. Sections are as follows: (1) marketing management, (2) marketing innovation, (3) market research, (4) communication, (5) distribution, (6) sales force and (7) service to consumers. Each chapter is submitted to nine different checklists in terms of number of questions and respective phrasing, although the base format is the same. Scores for each question are made according to pre-defined benchmarks. In the end, an effective percentage in each checklist is obtained
Kotler <i>et al</i> ¹⁷	Set of 75 open-ended questions divided into six components: (1) market environment, (2) marketing strategy, (3) marketing organization, (4) marketing systems, (5) marketing productivity and (6) marketing functions
Berry <i>et al</i> ²⁷	Checklist accommodating the unique characteristics of services and at the same time having the versatility to be applied in a variety of service contexts. The ISME-Index of Services Marketing Excellence instrument is composed of 76 items accompanied by a seven-point, strongly disagree–strongly agree, scale, along six dimensions: (1) marketing orientation, (2) marketing organization, (3) new customer marketing, (4) existing customer marketing, (5) internal marketing and (6) service quality
Brownlie ²⁸	Instrument composed of 52 non-structured items. Questions are evaluated on a five-point, strongly disagree–strongly agree, scale. The scores obtained provide the base for evaluating marketing effectiveness
Parkinson and Zairi ²⁹	Model for evaluating marketing excellence (marketing benchmark matrix), containing a series of performance measures that allow the establishment of how well critical marketing processes are being developed. The instrument reflects seven processes (89 indicators in total) contributing decisively to customer acquisition and satisfaction: (1) marketing strategy, (2) quality strategy, (3) product innovation, (4) customer development and management, (5) branding, (6) supply-chain management and (7) relationship between marketing and operations. Each indicator states typical situations associated with good or bad marketing practices, and each corresponds to a pre-determined score (from 0 to 5)
Wilson ²³	Extensive self-assessment checklist spanning around 1500 open-ended questions included in 28 evaluative dimensions (<i>lists in author's terminology</i>)

Source: From the author.

questions (4 open-ended; 1 closed-ended) aiming to understand the approaches to marketing performance measurement in general and the importance of marketing audits in particular (Table 2). After each interview, a summary of the transcript was made available to the interviewees, for reliability and validity assessment purposes.

The fieldwork and analysis involved in this phase lasted approximately 3 months, from November 2011 to February 2012. In late February, an e-mail containing the results was sent to panel members.

The second phase (March–June) consisted in capturing the marketing topics that, according to the panel, would be relevant to the effectiveness of marketing practice in the near future.

On the basis of the general literature on marketing management^{33,34} and on specific works about the future of marketing,^{35–41} an initial list of topics, which in the author's opinion were not properly covered in the main existing checklists, was developed and presented to the panel.

The questionnaire (Table 3), asking the panelists to rate the importance of the topics presented and

Table 2: First phase questionnaire

1. What type of marketing measures does your company use to assess overall marketing performance? (O)
2. How satisfied are you with the measurement of marketing performance in your company? (C:1-very dissatisfied; 5-very satisfied)
3. On evaluating marketing performance, how do you see the relevance of process metrics? (O)
4. Please explain the importance of marketing audits as a method to evaluate the appropriateness of the activities and assets a company uses in its marketing. (O)
5. Does your company regularly engage in marketing audits? (O)

O (open-ended); C (close-ended).

Table 3: Second phase questionnaire

On a scale of 1 (unimportant) to 5 (very important), please indicate the relevance of the following topics to the effectiveness of marketing practice in your organization within the next 5 years:

1. Customer relationship management
2. Ethics and social responsibility
3. Financial accountability
4. Marketing innovation
5. Marketing integration with other functions
6. Online marketing
7. Other topics you may consider important (please list and also assign a value between 1 and 5)

eventually to suggest additional ones, was pre-tested and subsequently administered by mail. A 3-week deadline was allowed for responses. Two members did not respond after two e-mail reminders, and thus they were dropped from the panel in the first round. The study continued with the remaining 11 participants.

The results of the rounds were summarized and the group mean and standard deviation fed back to respondents, who were given the opportunity to revise their earlier opinions and estimates. Theory posits that this iterative process continues until a consensus is reached. Little agreement, however, exists on what exactly constitutes a consensus.⁴² One of the most common rules of thumb is stability in responses,⁴³ and this criterion was used here. In this study, three rounds were conducted in order to achieve response stability among panel members.

Results

Phase I results

Question 1: What type of marketing measures does your company use to assess overall marketing performance?

Intermediate and financial output measures were the most cited by marketing executives when assessing overall marketing performance. Metrics such as sales revenue, margins, trial, penetration, brand awareness, relative price, market share and customer satisfaction were referred at least once by all panel members. As to importance, financial output metrics came at the top. All interviewees, using different phrasing, converged on the degree of importance they attributed to assessing marketing performance. As one panelist stated:

It is impossible to manage what isn't being measured In spite of the imperfections of our performance evaluation system, I prefer to see at candlelight than being on the darkness.

Another panelist declared:

Nowadays, the value of measuring marketing occurs not only by an obvious reason: allowing better performances. It also improves credibility of the function among its peers and top management and facilitates resource allocation.

Question 2: How satisfied are you with the measurement of marketing performance in your company?

The responses indicated moderate levels of satisfaction with existing measures of marketing performance: approximately 41 per cent of the members stated that they were satisfied or very satisfied, 32 per cent assumed a neutral (neither satisfied nor dissatisfied) position regarding the adequacy and effectiveness of measures used and 27 per cent reported dissatisfaction. This evidence contrasts with lower levels of satisfaction detected in a study on Ireland.⁴⁴ Nevertheless, it must be borne in

mind that the sample is exclusively composed of companies allegedly sophisticated in terms of marketing practice and management.

Question 3: On evaluating marketing performance, how do you see the relevance of process metrics? (O)

On a consensus base, panel members agreed on the relevance of process metrics and expressed the desire to see their work recognized in other ways beyond traditional results metrics. They sometimes feel frustrated by being evaluated almost exclusively by measures that do not totally capture their efforts and skills. Some transcripts of the rich insights provided corroborate the views expressed:

... marketing is a fundamental process in any organization, but to achieve goals, it must design and execute many tasks ... execution of those tasks requires knowledge. Methods and metrics aimed to increase that knowledge are welcomed. ... I think process metrics would help to judge marketing not only in terms of more fully clarify its role within organizations but also to evaluate it in terms of a value-adding activity. ... Of course outputs and results metrics are necessary and indispensable. ... But what about the way we do marketing around here?

Question 4: Please explain the importance of marketing audits as a method to evaluate the appropriateness of the activities and assets a company uses in its marketing.

Again, the opinion of the members allowed confirmation of the importance and utility of methods to evaluate marketing practice. As one member commented:

... No professional in the area doubts the value of diagnosing marketing activity, identifying strengths and weaknesses. ...

Another member noted:

... I consider of the utmost importance for marketing management and I think all companies should contemplate processes of such nature and objectives on a routine basis.

Another professional emphasized:

Methods allowing to assess the adequacy of activities and the accuracy by which the work is done, with a view to improvement, are extremely important. ... Access to those methods would probably constitute a big step in the search for the wholly grail of marketing performance.

However, some challenges and difficulties in implementing the method emerged from the answers. One panelist recognized the difficulty of unequivocally translating into managerial terms what constitutes 'good marketing practice', due to the inherent complexity of processes and the large number of constituencies involved. A second member questioned the way cause-and-effect relationships with result metrics, namely, financial ones could be established.

Question 5: Does your company regularly engage in marketing audits?

This question was intentionally kept open-ended in order to reveal possible reasons for the adoption or non-adoption of marketing audits. Surprisingly, only four members (31 per cent) declared that their company regularly (annually) performed audits. Some justifications, on interviewees' words, were presented:

- lack of measurement and accountability culture;
- information availability;
- difficulty in defining benchmarks; and
- necessary skills and capabilities.

Nevertheless, all members coincided in the sense that SWOT analysis, customer satisfaction surveys, marketing mix variables analysis and product/client/market profitability analysis were developed at least at the beginning of each planning cycle. These types of analysis are normally considered an integral part of the existing checklists.

Phase II results

In the second phase, respondents were asked to detail on a five-point scale the issues that, in

Table 4: Topics of relevance to marketing practice

Topic	Round 1		Round 2		Round 3	
	I	SD	I	SD	I	SD
Marketing innovation	4.7	1.8	4.8	1.6	4.7	1.2
Customer relationship management	4.5	1.4	4.3	0.9	4.6	1.1
Online marketing	4.4	2.1	4.5	2.4	4.3	1.8
Ethics and social responsibility	4.1	1.7	3.8	1.6	4.0	1.3
Financial accountability	3.9	2.3	3.7	1.9	3.7	1.6
Marketing capabilities	—	—	3.4	1.5	3.5	1.7
Marketing integration with other functions	2.6	1.9	2.9	1.8	2.7	1.4
Integrated marketing communication	—	—	2.7	2.2	2.4	1.7

I=Importance; SD=Standard Deviation.

their opinion, would be relevant to the effectiveness of marketing practice in the near future. Two topics not included in the initial list were suggested by some panelists in round 1: Marketing Capabilities and Integrated Marketing Communication (IMC). Consequently, these were added to subsequent rounds.

The study ultimately yielded a ranking of eight topics perceived to be important in the marketing arena. Table 4 shows the results on a ranking basis.

DISCUSSION

This work had a double objective: on the one hand to try to understand the importance of audits in the broader context of assessing marketing performance, and on the other to grasp the topics relevant to the effectiveness of marketing practice, so that they can be incorporated in future checklists development.

As to the first objective, despite the low adoption level of the method and some perceived difficulties in its implementation, the answers given suggest the value and usefulness of auditing as a way to evaluate and improve marketing practice.

With regard to the second objective, the results reinforced our conviction that there are important evaluative dimensions – each one including fundamental issues and best practices situations able to be adopted in the context of auditing – insufficiently addressed or not addressed at all in the most representative checklists. Based in literature, we discuss hereafter the evidence found.

A *marketing innovation* is ‘the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product, promotion or pricing’ (p. 49).⁴⁵ This implies that there must be more to the role of marketing innovations than just that of an auxiliary activity for technological innovations.^{46–48}

The CRM (*customer relationship management*) concept focuses on how management can make concerted efforts in attracting, maintaining and enhancing customer relationships.⁴⁹ CRM has generally been assumed to create a competitive edge for an organization, as well as to have a positive impact on organizational performance.⁵⁰ Yet, there is still much debate over what exactly constitutes CRM.^{51,52} As it is no longer sufficient to advise practitioners or researchers that one of the keys to successful marketing is through CRM, it will be important to address the design, implementation and monitoring issues associated with sound CRM practice.

Embracing the marketing concept is one thing; implementing it is another. How do marketers know what consumers’ needs and wants are, so that they can develop a strategy to reach them effectively and efficiently? Through research, naturally. But traditional research takes time and money, and therefore many companies are turning to *online marketing* to get continuous, timely and innovative information from customers.^{53,54} However, in order to activate information, marketing is forced to adapt to the new conditions in the virtual world. Marketers therefore need to demonstrate that

they are experts in respect of marketing information, and as a consequence they must come to terms with information technology and be able to exploit its potential. This calls for new evaluation methods insufficiently captured by the traditional ones.⁵⁵

The idea that firms do not operate in a vacuum and that firms' activities may have negative consequences is nothing new. Marketers are thus being called upon to take greater responsibility for the moral standards of their behaviors and decisions and also for the social and environmental impact of their actions. As corporate *ethics and social responsibility* have become hot topics for almost every business, forward-looking companies view ethically and socially responsible actions as an opportunity to *do well by doing good*.^{56,57} Accordingly, it is vital for marketers to incorporate ethical and social considerations in their work,^{58,59} as there is increasing evidence of a link between social responsibility, stakeholders and marketing performance.⁶⁰

Historically, there has been a deficit of *financial accountability* in marketing. Marketing practice has frequently been labeled as thrifless and short of adequate assessment measures, namely, in terms of the connection between actions and results.^{2,5,61,62} Marketers therefore feel they need to come to terms with finance. They need to be able to argue effectively with the accountancy profession and to develop ways to measure marketing in terms meaningful to CEOs, CFOs and investors. Knowing the value of the customer, understanding the financial impact of different resource allocation or marketing actions, and being able to estimate returns on investments, marketers will move from 'hopes and dreams' to facts and financial values.

Capabilities are skills in utilizing company assets and allowing market demands to be met successfully.⁶³ Specifically, a marketing capability is developed when the firm's marketing employees repeatedly apply their knowledge and skills to transforming marketing inputs to outputs (p. 4).⁶⁴ In line with other authors,^{65,66} we understand *marketing capabilities* as a surrogate for 'competence-based marketing' or 'marketing

know-how'. Marketing capabilities are therefore core to the way in which marketing works,⁶⁷ and according to Day,^{68,69} organizations can be more market oriented when they develop specific capabilities of market sensing, market relating and strategic thinking.

The ability of marketers to influence marketplace performance will be increasingly dependent on the extent to which core business processes are infused with a marketing perspective and shaped by marketing-generated data. Unless other functions appreciate the value of what marketers have to offer, little progress can be expected in terms of businesses embracing marketing concepts.¹² On the other hand, marketing tasks do not exist in isolation; they are sub-processes within broader business processes. Marketing theory and practice must therefore incorporate these processes explicitly as an input to decisions that affect both marketplace and financial performance. In short, there is the need for *marketing integration with other functions*.

Lastly, IMC can be defined as the notion and the practice of aligning symbols, messages, procedures and behaviors in order for an organization to communicate with consistency, coherence, clarity and continuity within and across formal organizational boundaries.⁷⁰ The majority of the literature on integrated communication presents IMC as a revolution expected to have wide-ranging consequences for the way in which we think about and practice management and marketing communication.^{71,72} Although the ideal of integration in connection with marketing communication is not new, the scope of integrated communication has been broadened to include virtually everything an organization says and does and everyone who is affected by the organization's existence and activities.⁷³

CONCLUDING NOTE

Marketing is confronted with a transformation like nothing before. This calls for adapting or creating concepts, theory and methodologies to address new phenomena as they emerge.

The technique of marketing auditing, despite its weaknesses, has a long and distinguished heritage as a diagnostic device in marketing management, providing information about activities, actions and performances. Indeed, the marketing audit should, in theory, be the starting point for most considered courses of managerial action. Unnaturally, despite the proliferation of literature about virtually all aspects covered by marketing, little has been written about what is generally considered to be one of the most useful management tools in this field.

The purpose of this work was to try to narrow this gap by providing insights for updating and enlarging the scope of marketing audits, tailoring them to the new challenges and therefore enhancing their use in the future. In this context, there appear to be at least eight areas that need additional consideration in the scope of the modern marketing audit, in order to more fully contemplate the changing marketing landscape: Marketing Innovation, CRM, Online Marketing, Ethics and Social Responsibility, Financial Accountability, Marketing Capabilities, Marketing Integration with Other Functions, and IMC.

However, one must be cautious with conclusions. Our study represents one of the very few attempts to update and broaden the methodology of marketing audits. The present findings are therefore more indicative than definitive.

Our academic contribution is to offer an advance on the current literature on marketing audits, by proposing a call for the development of marketing audit checklists that expressly responds to changes in both the marketplace and the practice of marketing.

For practitioners, the study emphasizes the importance of measuring processes. Most existing measures of marketing performance focus on outputs. However, processes are the 'glue' that binds together everything a company does. Therefore, input measures should also call for management attention.

It is hoped that further debate and research on the perspectives presented here and their foundational premises could lead both to

technical refinements and increased adoption of marketing audits.

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