

External Marketing Audit and Internal Marketing Audit. Comparative Study

Gabriela CHIRLA, Sabina FUNAR

University of Agricultural Sciences and Veterinary Medicine,
3-5 Manastur Street, 400372, Cluj-Napoca, Romania; gabriela_chirla@yahoo.com

Abstract. The aim of this study is to identify the main advantages and disadvantages of an internal and external marketing audit. In order to spot them, the method of the literature review is used. Presenting the six major components of a marketing audit and the auditors' tasks for each of them, some important results were revealed. The advantages of the external audit concern its independency and objectivity and also the supplementary costs needed. The advantages of an internal audit are linked to the capacity of the auditor to understand deeply the company situation (her available resources) and also to the possibility of conducting a continuous process. The conclusion of this study is that an efficient marketing audit requires both an internal and external audit to complement each other.

Keywords: independency, objectivity, recommendations, continuous process, business environment, expenses

INTRODUCTION

Yadin (2006) considers that the marketing audit is a technique of gathering the data needed to reveal the marketing activities of a company. He also mentions the most frequent cases when a marketing audit is being purchased: periodically, as a part of marketing plans, when expansion of the company area is wanted, or the expansion of the product line but also in times of crisis when things just do not work. Mylonakis (2003) considers that the need for marketing auditing comes from the desire of top managers to exercise control within organizations.

The marketing audit was defined by Kotler (1999) as a very complex, systematic, independent and periodic examination of the environment, main objectives, marketing strategies and activities. The marketing audit purpose is to identify opportunities and/or threats and to offer the company a viable plan of action to improve its performances.

The goal of the marketing audit consists in verifying the way marketing concept is applied by the company, in turn creating value for the customers at a certain profit (McDonald and Keegan, 2002).

Analyzing the definition given to marketing audit by Kotler (1999), there are four major characteristics of this process which can be identified such as: complex, systematic, independent and periodic. For developing an independent marketing audit process, as an imperative condition for accomplishing an objective audit, the enterprises have two possibilities: an inside audit (internal audit) and an outside audit (external audit). (Kotler *et al.*, 2005)

The internal audit or the audit developed from inside the enterprise could be conducted by a person or a group working inside but not in the area submitted to the audit. This is the proper alternative for accomplishing the independency criteria. The external marketing audit

or the outside audit is usually conducted by a specialized firm or an independent practitioner. (Kotler *et al.* 2005)

McDonald (2007), considers that hiring an external auditor is a justified action but not a constantly one. The argument against carrying out every year an external marketing audit refers mainly to the expenses. He supports the idea of periodically audit developed by “the company’s own line managers on their own areas of responsibility”.

Having these two possibilities, each company must decide the most advantageous and efficient form of auditing her marketing activity. Therefore, the aim of this article is to identify the advantages and disadvantages of each type of the marketing audit process.

MATERIALS AND METHODS

The study was carried out using the method of literature review in order to find the main aspects of the marketing audit as a process and to identify the type of difficulties that might appear in each of the two types of audit: internal and external.

After identifying the components of a full marketing audit and the auditors tasks for each one of them, the study tried to highlight the advantages and disadvantages of each form of audit in strict correlation to the four characteristics of a marketing audit: comprehensive, objective, systematic and periodically (Taghian and Shaw, 1998).

RESULTS AND DISCUSSION

In order to establish the advantages and disadvantages of each form of audit it is necessary to present the components of a full marketing audit: marketing environment audit, marketing strategy audit, marketing organization audit, marketing systems audit, marketing productivity audit and marketing function audit. These six components of a marketing audit are semiautonomous which means that a company often demands only one of them and rarely a full-audit is needed. (Kotler *et al.* 2005)

For conducting a Marketing Environment Audit the auditor must identify the changes occurred in the business environment which means dealing with political, economical, socio-cultural and technological factors and especially with the market itself. These factors can offer great opportunities to the company or by the contrary, major threats but only if they are spotted out correctly, on time, and mostly, if they rely on proper internal resources. An internal auditor has the advantage of easily follow the changes in the environment as he is focusing every time at a single domain (in which the company works) and easily connect them to the internal resources. An external auditor is confronted with multiple marketing audits for companies in different fields of activity which means that his research is much more difficult especially if the domain in which the company work is new to him. Eventual opportunities or threats could be much harder to identify and understand. On the other hand an external auditor will be able of conducting an environment audit faster because of his procedures well developed. It can be concluded that an external auditor will find difficulties in connecting internal resources with external opportunities and threats if he is conducting only the marketing environment audit.

In order to proceed to a Marketing Strategy Audit, the auditor must analyze the main strategy of the company which means her goals and objectives. An internal auditor is confronted to the risk of impartiality because of his own role in the company strategy, as component part of the organism. The questions being asked in this semi-autonomous audit are very sensitive for the company management and this is the reason for an internal auditor could

have difficulties in managing it. The questions refer to the clarity of the strategy, whether is convincing or not, if a proper segmentation is being used with adequate criteria (Medis, 2005). An external auditor instead will be able to have a clear view, an objective one, over company's strategy and the way that fits in the business environment.

The Marketing Organization Audit will focus over the quality of interaction between marketing and other functions such as finance, purchasing, research and development (Kotler *et al.*, 2005). Other authors such as Berry *et al.* (1991) consider that an organization audit is not complete without capturing the employees perceptions related to their capacity of performing a marketing-oriented activity. An internal auditor will be able to perceive easily the quality of interaction between marketing and other functions because of his permanent presence inside the company but when coming of interview the employees about their capacity of facing a marketing-oriented activity, problems arise. The employees could be reserved when talking to their coworker about their capacity and tending to give favorable answer. An external auditor could have difficulties to analyze the interactions between the company functions and he could need a longer time to make an objective opinion but when analyzing the employees his work could be much easier because of his impartiality.

The Marketing Systems Audit focuses on the principal systems used by the company in order to gather data, to plan and control the marketing operations. The auditor recommendations might be a valuable indication for building an adequate marketing system. The auditor analyses sales, distribution, new product development and other important aspects within a marketing activity with the scope of offering an impartial recommendation. An internal auditor has the advantage of rapidly gather the data needed because of his permanent work inside the company and his stable work-relations. An internal auditor's recommendation could have the disadvantage of not being totally useful because of his status inside the company. For example if the recommendations needed to be offered are very different by the company policy, the auditor could be reticent in giving them contradicting the top management. Following the definition of a proper marketing audit, which must be conducted systematically, the internal audit is the proper solution because the auditor is an employee of the company and his tasks consists in auditing the company. An external auditor is usually conducting a punctual audit which means the data gathered refers to a certain period of time and he will only repeat the audit when the top management asks for. Consequently, a successful external Marketing System Audit is conditioned by the capacity of the top management of deciding whether is or not appropriate to contact an external auditor.

The fifth semi-autonomous domain of a marketing audit is the Marketing Productivity Audit. This type of audit examines profits, costs and sales. This data is usually provided by the accounting department and analyzed by the top management and any other stake-holders. Relying on exact data, this type of audit is characterized by objectivity whether is made by an internal auditor or an external one. The difference between these two types of audits consists in the recommendations given. Therefore an internal auditor could give some recommendations for example to reduce costs following the general policy of the company because he is a part of it and he submits to it. By the contrary, an external auditor could give recommendations which do not fit to the company policy being very different and daring.

The Marketing Function Audit is focused on the marketing function itself and checks up if it does work properly. The areas audited are: salesforces, advertising, public relations and others. An internal auditor might not have the total objectivity needed when auditing the marketing department because he is often a part of it. Presenting a negative report to the top management about the activity of the marketing employees could cause him unpleasant situations within the company. The other disadvantage is that he could not be able to spot the

problems because he is not detached. In this case an external auditor could be much more indicated because he will be able to identify the main issues being totally independent. He also has a solid marketing knowledge in order to offer proper recommendations for improving the marketing activity.

CONCLUSIONS

It can be concluded that a marketing audit process is divided in two categories: an external audit (Environmental Audit) and an internal audit (Marketing Strategy Audit, Marketing Organization Audit, Marketing Systems Audit, Marketing Productivity Audit, Marketing Function Audit). The first type of audit analyses those kind of variables over which the company has little or no control, while the second type of marketing audit analyses variables over which the company has total control being its own internal resources (McDonald, 2007). Each type of audit can be leaded by two categories of auditors: an internal auditor which is a company employee or a manager in different levels of hierarchy and an external auditor which is a specialist, independent practitioner.

Every company has the freedom to choose between these two options when demanding a marketing audit but for a wise choice, this study spotted the advantages and disadvantages of each type. Therefore, for useful recommendations the audit must be independent, periodically, complex and systematic.

The advantages of an external audit refer mainly to the independency of the auditor, the highly-qualified practitioner which disposes of professional tools, the objectivity of the process and the ability of giving useful recommendations which had worked for other clients and also their results were tested. The disadvantages of an external auditor refer at the company expenses generated by this process if a systematic and periodically audit is wanted.

The advantages of an internal audit consist in the possibility of the internal auditor to conduct a continuous audit and not a punctual one, and in his great knowledge of the company internal situation, his unrestricted access at the company data and information. An internal auditor, as part of the company, is much more familiar with the company's history, her weaknesses and strengths. He will be able to conduct a periodical audit with no supplementary expenses for the company. The disadvantages of an internal audit refer primarily to its lack of independency because of the auditor's affiliation to the company. He also might have difficulties in criticizing the company policy or spot his coworkers errors because of his status within the company.

In order to obtain value for the customers every company should proceed to a marketing audit. To balance the advantages and disadvantages of each type of audit (external or internal) a company should develop a continuous internal audit however periodically (every one or two years) followed by an external audit.

REFERENCES

1. Berry, L. L., J.S. Conant and A. Parasuraman (1991). A framework for conducting a services marketing audit. *Journal of the Academy of Marketing Science*. 19(3): 255-268.
2. Kotler, P. (1999). Evaluarea și controlul performanței în marketing p.204 In: Kotler despre marketing, Iasi.
3. Kotler, P., W. T. Gregor and W. Rogers III (2005). *Sloan Management Review*. Classic reprint, Cambridge MA.1-30.

4. McDonald, M. (2007). The Marketing planning process in: Marketing plans, how to prepare them how to use them 6th edition, Elsevier, London. 27-77.
5. McDonald, M. and J. W. Keegan (2002). The Marketing Planning Process in: Marketing plans that work, Butterworth-Heinemann, USA. 15-37.
6. Medis, A. P. (2005). Understanding and Application of Marketing Audit, Dept. Of Marketing Management, Univ. of Kelaniya.
7. Mylonakis, J. (2003). Functions and responsibilities of marketing auditors in measuring organizational performance. International Journal of Technology Management 25(8):814-825.
8. Taghian, M. and R. N. Shaw (1998). The Marketing Audit and Business Performance: A Review and Research Agenda, Proceedings of the Australian and New Zealand Marketing Academy Conference, University of Otago, Dunedin/NZ. 2557-2571.
9. Yadin, D. (2006). Dicționar internațional de marketing, ed. Rentrop&Straton, București.