The Marketing Audit and Business Performance:  
An Empirical Study of Large Australian Companies

Mehdi Taghian, La Trobe University and Robin N. Shaw, Deakin University

Abstract

The conceptual framework of the marketing audit has been well developed by different contributors since the late 1950s. At the present time, the popular marketing textbooks and the published academic and general literature deal primarily with the theoretical and practical aspects of the marketing audit without offering any rigorous empirical justification of the practice. The teaching of the marketing audit appears to be based on the logical expectation of its usefulness, isolated case studies, and anecdotal evidence. There is little indication of how the marketing audit is actually being used, the procedure in conducting it, and how the industry perceives and evaluates its benefits. This paper attempts to explore and profile the current practice of the marketing audit in larger Australian firms. The results of this industry-based survey of 216 large Australian businesses indicated that about 48 per cent of the respondents have used the marketing audit, with 75 per cent using the self-audit method in conducting it. The respondents’ perception was that the implementation of the recommendations of the marketing audit had contributed mostly between one per cent and 10 per cent to their organisational performance.

Introduction

The growing complexity of the current market environment necessitates a more systematic scrutiny and evaluation process of the organisational preparedness to deal with the dynamic market. The existing information gathering and processing methods, generally, lack a comprehensive and integrated structure that incorporates the entire marketing function as well as providing strategic recommendations for action. The marketing audit, characterised as a systematic, comprehensive, objective, and independent approach, can assist the manager to understand the working of the individual parts of the organisation and their contribution to the total system geared toward the achievement of the organisational objectives. An empirical study of the marketing audit can provide some insight into management’s perception of the benefits of the marketing audit as well as the current procedural aspects of the marketing audit, which are currently lacking in the literature.

The appearance of the marketing audit in the marketing literature dates back to 1959 (Rothe, Harvey, and Jackson, 1997). The publication of “Analyzing and Improving Marketing Performance, “Marketing Audits” in Theory and Practice” (AMA, 1959), provided a definition and some practical guidelines for marketing auditing (Shuchman, in AMA, 1959).

In 1967, Kotler identified the marketing audit as “something apart from and more comprehensive than the other control efforts of the firm” (p. 594). It was indicated that a clear understanding and evaluation of the entire marketing operation would be helpful to avoid dealing with symptoms rather than addressing the fundamental organisational marketing problems (Tirmann, 1971).
The publication of “The Marketing Audit Comes of Age” (Kotler, Gregor, and Rodgers, 1977) was a turning point in the development of the marketing audit. This publication formulated a definition for the marketing audit that after 25 years still remains current.

Many authors since have contributed to the development and refinement of different aspects of the marketing audit. Brownlie (1993) suggested a strategic role for the marketing audit as an instrument of intervention and change. Another important recommendation was the use of a structured questionnaire to assist with the collection of uniform information (Kotler, FitzRoy, and Shaw, 1980; Kotler, 1997) and the use of a checklist of diagnostic questions (Wilson, 1993; Brownlie, 1993). The marketing audit has been also recommended for use as a necessary part of the marketing planning process (Reed, 1992). Some authors (Kotler, 1977; Wilson, 1993; Brownlie, 1996b) view the marketing audit as an instrument to be used for assessing an organisation’s overall commitment to a market orientation strategy.

There is currently no consensus among the contributors to the literature on the process of conducting a marketing audit (McDonald and Leppard, 1991), although the general approach is acknowledged by many.

The marketing audit literature deals with theoretical and conceptual aspects without empirical validation. The only published empirical study available dates back to 1978 in the USA (Capella and Sekely, 1978). This study used a sample of 134 respondents, 38 of whom (28 per cent) claimed to have used the marketing audit. This study was limited in scope and concentrated on processes and implementation issues of marketing auditing rather than the outcomes. Since then, contributions by many authors have concentrated on providing advice on the logical and anecdotal usefulness of the marketing audit (McGlinchey, 1996; Yaegel, 1990; Lurin, 1986), to mention only a selection.

The Present Study

The major aim of this paper is to report on the results of a study conducted in large Australian companies (1) to provide a profile of the current users of the marketing audit in large companies, (2) to investigate the current practice of the marketing audit, and (3) to investigate the relationships between the familiarity with, and the usage of, the marketing audit and organisational performance measures. It was suggested that:

1. The users and non-users of the marketing audit have different demographic profiles.
2. There are differences in the procedure of conducting the marketing audit.
3. There is a positive relationship between the familiarity with, and the usage of, the marketing audit, and organisational performance outcomes.

Methodology

The questionnaire for this study was developed as part of a larger marketing research project, which included a section on the marketing audit. The questions on the marketing audit, in the absence of an existing instrument used by other researchers, had to be developed using various sources including a series of personal interviews with some senior marketing managers familiar with the marketing audit, using the literature on the marketing audit, and “reverse engineering” the results presented by Capella and Sekely in their study of the
marketing audit in 1978. The questions developed were modified through a two-stage pretest process. All measurements were subjective assessments by the respondents using a seven-point Likert-type scale (Wren, 1997) and other response formats.

The sample frame used was Dun & Bradstreet’s Australian businesses database (September 1999 edition), which included 22,000 businesses. The sample selection was based on the largest companies, in terms of their reported revenue, in both manufacturing and services. The assumption was that larger companies had a greater likelihood of practising more “professional” marketing. Of these organisations, the largest 1,441 were sent questionnaires with a personally addressed letter to the chief executive requesting that the questionnaire be completed by the senior marketing person. Complete anonymity was guaranteed. The returned useable questionnaires totalled 216, which was a response rate of 16 per cent. The comparison between the outgoing sample profile and the sample returning questionnaires indicated no significant non-response bias on the demographic variables available.

The data were analysed using descriptive measures and exploratory and confirmatory factor analyses to identify the items contributing to, and the unidimensionality of, “familiarity” and “marketing audit (MktAud)” constructs. All measurements were tested for internal consistency-reliability (Cronbach’s alpha) and predictive validity. AMOS was used for estimating structural equation models of the marketing audit.

This study considers the marketing audit (1) in terms of the familiarity of the organisation and the senior manager with the marketing audit and the intention to conduct an audit in the future, and (2) the organisational practice of the marketing audit. The distinction is that the familiarity with the marketing audit, even without its practice, may have induced the organisation-wide notion of the benefits of a methodical and comprehensive evaluation concept, while the practice of the marketing audit would substantiate the actions taken and the perception of the benefits achieved. The construct of the marketing audit, “MktAud”, as presented, reflects the consolidation of the various implementation issues and perception of benefits of conducting a marketing audit. There are two subjective measures of organisational performance used in this study: (1) a predominantly marketing influenced measure, market share, and (2) the overall organisational financial performance.

**Results and Discussion**

The results indicated that there were no demographic differences between the users and non-users of the marketing audit except for the age of the organisation and the formal education of the senior marketing decision-maker. The users of the marketing audit had a larger representation in companies founded during the periods “1950 or earlier” and “1961-1970”. At the same time, the formal education of respondents in the users of the marketing audit appeared to be higher in the TAFE certificate group, followed by possessing a master’s degree. These differences were significant at the 0.05 level.

About 48 per cent of the respondents indicated that they periodically used the marketing audit, and the methods used in conducting the marketing audit were dominated by self-audit (75 per cent), followed by company task-force audit (34 per cent) and outside audit (32 per cent). There is no evidence of the superiority of the type of audit used in terms of performance outcome. The procedure used in conducting the marketing audit varied from what Brownlie (1996b) suggested. The difference may be due to a predominant usage of the self-audit. It is
important to mention that the usage of checklists, questionnaires, and the review of the effectiveness of the audit, which could influence the quality and usefulness / benefits of the audit, had few mentions.

The marketing audit was currently being used mostly to evaluate marketing goals, strategies, action programs, the external environment, new product development, and the marketing planning process, and the identification of marketing problems. The major concerns encountered in conducting a marketing audit included the lack or unavailability of data and the lack of a standard of comparison (benchmark).

The AMOS results (Model A) suggested that there was a positive, weak and significant relationship (R=0.20, n=104, p<0.01) between “familiarity”, a construct reflecting the personal and organisational familiarity with the marketing audit, and organisational performance in terms of market share.

Additionally, the results (Model B) suggested that the relationships between “MktAud”, a construct reflecting different implementation issues and the perception of the benefits of conducting the marketing audit, and market share performance (R=0.32, n=104, p<0.01), and the overall organisational financial performance (R=0.25, n=104, p<0.05) were positive, weak, and significant.

There appeared to be a significant difference between the two groups of users and non-users of the marketing audit “periodically” in terms of market share performance. Respondents mostly attributed changes in their business performance directly to the implementation of the recommendations of the marketing audit, ranging from +1 per cent to +10 per cent per annum.

**Model A**

![Diagram showing relationships between familiarity with the marketing audit and performance measures]

The fit statistics indicated an acceptable model ($\chi^2 = 1.53, df = 4, p = 0.82, CMIN/df = 0.38, RMSEA = 0.00, TLI = 1.02, NFI = 1.00, Pclose = 0.92, AIC = 23.53, Chronbach’s Alpha = 0.91$).

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<th>Relationship</th>
<th>Standardised estimate</th>
<th>Unstandardised estimate</th>
<th>C.R.</th>
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<tbody>
<tr>
<td>Marketing audit -&gt; Market share</td>
<td>0.20</td>
<td>0.26</td>
<td>2.70</td>
</tr>
<tr>
<td>Marketing audit -&gt; Overall financial results</td>
<td>0.07</td>
<td>0.11</td>
<td>0.98</td>
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Model B

Relationship between practice of the Marketing Audit and organisational performance

Non-biased audit
Beneficial in decision-making
Satisfied with audit results
Use before marketing planning
Implement recommendations
Marketing’s link to market
Benefits outweigh costs
Practical recommendations
Conduct periodically

MktAud

Market share

Overall Financial performance

Standardised estimates

The fit statistics indicated an acceptable model ($\chi^2 = 54.51$, df = 34, $p = 0.01$, CMIN/df = 1.60, RMSEA = 0.05, TLI = 0.99), NFI = 0.99, Pclose = 0.40, AIC = 140.51, Chronbach’s Alpha = 0.91).

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<td>Marketing audit -&gt; Market share</td>
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<tr>
<td>Marketing audit -&gt; Overall financial results</td>
<td>0.25</td>
<td>0.41</td>
<td>2.57</td>
</tr>
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Implications

The results of this study suggest that the “conduct of the marketing audit” and “implementation of the recommendations of the marketing audit” are positively and significantly associated with the “market share” performance measure. This highlights the importance of familiarity with, and the conduct of, the marketing audit for the organisational performance outcomes. Therefore, it can be suggested that personal and organisational familiarity with, and the conduct of, the marketing audit may benefit the organisation’s performance outcome. Since there is no evidence of the difference between the types of audit method used to the performance outcomes, firms may choose to apply their less costly internal resources to conduct the audit. The study also suggests that there appears to be no meaningful demographic differences between the users and the non-users of the marketing audit except for the age of the organisation (1950 or earlier and 1961-1970) and the formal education of the senior marketing decision-maker (TAFE and post graduate level). Consequently, no major demographic variable appears to be characteristic of the users of the marketing audit. However, the differences in the organisational age and the manager’s education may have some relevance. The implication might be that the study of the marketing audit may need to be more comprehensively included in the business course structures offered by higher education institutions. The younger companies (founded 1971 or later) appear to be less inclined to use the marketing audit, perhaps due to the massive availability of marketing information, generally, which may have resulted in the perception of a lack of need for a marketing audit, in the narrower, traditional sense.
References


