

# THE MARKETING AUDIT HANDBOOK

**TOOLS, TECHNIQUES & CHECKLISTS  
TO EXPLOIT YOUR MARKETING RESOURCES**

**INCLUDES A FREE CD-ROM**



**AUBREY WILSON**

**THE  
MARKETING  
AUDIT  
HANDBOOK**

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# The Marketing Audit Handbook

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*Dedication*

*To Mary Griffin, client, colleague, mentor – but above all, friend.*

Also by Aubrey Wilson

*The Changing Pattern of Distribution*

*Industrial Marketing Research-Management and Technique*

*The Marketing of Industrial Products*

*London's Industrial Heritage*

*The Assessment of Industrial Markets*

*The Art and Practice of Marketing*

*The Marketing of Professional Services*

*Practice Development for Professional Firms*

*New Directions in Marketing*

*Emancipating the Professions*

# The Marketing Audit Handbook

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Tools, techniques and checklists for exploiting your marketing resources

**Aubrey Wilson**

with contributions from

Carol O'Connor PhD and Christopher West BSc Econ



First published in 2002

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# Preface

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Strangely, and despite the proliferation over the years of books on every conceivable aspect of marketing, there has been very little published on one of the most practical and profitable of all management tools – the marketing audit. While many texts contain check lists and ‘best practice’ guidelines, to my knowledge there have been no books, other than this one and its earlier manifestations, which are devoted solely to marketing.

Marketing has never experienced such turbulence and rapidity of change as is occurring now. The emergence of new media and techniques, most particularly electronic marketing, the relaxation of regulations which governed the content and targeting of promotional message, and the realities of the global market all challenge conventional and established marketing methods. As a result, checklists compiled in the last decade of the 20th century have been substantially overtaken and have important omissions. This is particularly true in information-gathering and management and, of course, the various aspects of electronic marketing.

The huge mass of information now available via the Internet is increasing geometrically every year. It has virtually eliminated most of the painstaking, time-consuming activities involved in locating information sources and accessing their contents. Similarly, although the jury is still out on the effectiveness of some forms of electronic advertising, it is nevertheless a new and important medium.

Away from electronic communications and logistics there have been important developments in relationship and affinity marketing, competitive intelligence and distribution logistics, to name just four areas. These changes require different approaches in their assessment and thus there are new questions to be asked. Consequently, this book, while retaining the core of previous editions published under the title *Marketing Audit Check Lists*, is a new work which makes the previous editions obsolete.

The turmoil in marketing is matched by turmoil in all markets. This demands that businesses monitor the effectiveness of their activities and ensure that they are fully exploiting their marketing resources. There is, in almost all organizations, a considerable marketing resource either not utilized, underutilized or utilized incorrectly. It only requires a knowledge of what is available for any sentient business person to be able to adjust his or her activities so as to exploit fully what is already possessed. However, making an inventory, mostly qualitative, is both difficult and time-consuming and, moreover, has strong internal political connotations. There is little wonder that the assessment of marketing resources and their utilization is rarely undertaken methodically. This book is an attempt to rectify such a situation.

The genesis of the technique that is described and explained in the book sprang originally from the need, at the start of a marketing research project, to establish just what data the sponsor already possessed and the degree of confidence that could be placed in their reliability. Then, as now, an inordinate amount of time and very considerable sums of money were frequently wasted on searching for information that did in fact exist but had not been extracted. Thus a list of key, if somewhat general, questions was developed for use at the beginning of any research project. However, it became increasingly obvious in studying the answers to many of the questions that most firms could materially improve their performance by a greater exploitation of both the information and the marketing resources they already possess. Consequently, the checklists, which were originally market data oriented, were considerably extended to cover all aspects of a company's marketing activities.

The answers to the questions, individually and in combination, point quickly to recommendations for a series of basic actions which can lead to impressive achievements. This approach has been described as a return to fundamentalism in marketing. Instead of theories, elegant plans, sophisticated strategies and esoteric philosophies, it produces down-to-earth practical suggestions which could, for most organizations, be implemented at once at no cost or low cost. There is no magic in this: it is simply using fully or re-deploying what a business already possesses.

The marketing resource realization technique, for that is what it is, has now been used hundreds of times and has never failed to produce operational and thus profit improvement – sometimes marginal, sometimes substantial, but always justifying the time investment in the audit.

Audit checklists all claim to be practical. None, however, seeks to provide a comprehensive model of information requirements or to formulate them in such a way that the answers suggest the courses of action to be followed. The purpose of this book is to fill this gap and provide a methodical approach to the identification, collection and evaluation of the marketing resources and strengths and weaknesses of a company; to exploit the former and avoid the latter where they cannot be corrected. It is hoped that its essential value will be the bringing together of the accumulated experiences, good and bad, of the many individuals and organizations involved in a wide range of industries and services, and with different levels of marketing and sales sophistication or primitivism with whom the author has had the privilege of working in over 30 years of intense involvement in marketing. The book has no national connotations. The technique and

the questions can be (and have been) applied from Kenya to Canada and from Australia to Iceland.

One of the pleasures of composition is being able to express a public appreciation of the help, guidance, wisdom and critical support of others whose contribution is all too frequently embedded, without direct acknowledgement, in the text. I particularly want to express my gratitude for the contributions of Dr Carol O'Connor and Christopher West, who provided special lists on electronic trading, competitive intelligence and market research, areas in which they are leading experts. Their permission to mangle their text to suit my own style and the book's format has gone beyond the bounds of friendship.

Not for the first time, my particular thanks must go to Dorothy Storr – a woman of infinite patience and skill – in fact the only one who could have sorted out the complex cross-referencing. She also has a cryptographer's ability to decode and interpret my enigmatic notes and insertions and typing which gave my Spellcheck an electronic nervous breakdown. I am grateful to her for identifying errors, duplications and sometimes a less than felicitous way of formulating a question.

Again, I have an irredeemable debt to my wife Gina for her encouragement, excusing me from domestic commitments and protecting me from intrusive social demands.

At the end of every preface or introduction the author invariably offers the courtesy of exonerating all those who helped from any errors or omissions and takes on him or herself full responsibility. Never was such an inclusion more justified than for this book.

January 2002





# The marketing audit

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*A self-administered method for identifying and realizing underutilized marketing resources*

Those who have attempted to undertake a marketing audit are well aware that all too many questions asked do not of themselves yield information which will lead to practical and profitable action.

For example, the answer to the question, 'Does management recognize the importance of designing the company to serve the needs and wants of chosen markets?' is difficult to translate into immediate practical recommendations.

What this book seeks to do is to bring together the technique of the marketing audit with the technique of the checklist approach. The value of checklists is essentially threefold: 1) not to have to rethink, reorder and rewrite what has perhaps been done many times before; 2) to be able to obtain an insight into the thinking and experience of others in the same field; and 3) to ensure that no important item is forgotten. Whether a checklist is simply for packing for a holiday or is a complex one such as might be used in flying an advanced military aircraft, the advantages and uses remain the same. The checklist approach to marketing provides a reliable short-cut in assembling information and an insurance that within the broad span that comprises corporate policy, in particular marketing, no vital issue or question is omitted.

It is recognized that checklists can also inhibit original thinking and produce an unconsidered acceptance of what has been revealed. The lists that follow are only a starting point – a logical notation of aspects of the firm's operations that impact on marketing strategy and marketing actions. To be fully effective they not only require screening and reorientating; they also require expanding to meet the needs of the auditor, and the activities and aspirations of the organization.

## 2 ■ The marketing audit handbook

Apart from providing clear guidelines to the actions a company might undertake to improve its position, the checklists, used correctly as an audit guide, have the inestimable advantage of identifying and utilizing marketing resources of every type. The reason these are not fully exploited is not difficult to understand. Many firms do not know what resources they own or their quality. Frequently, because of received wisdom, old practices and habits, and sometimes despair, they are constrained from introducing simple changes that would release many of the currently underexploited resources the organization possesses.

The author has found that many practical suggestions, which might be termed at no higher level than 'hot tips', will emerge from the audit. They may lack the elegance of sophisticated marketing strategies and systems, but they have the overwhelming advantage of being practical, immediate and most frequently no cost or of low cost.

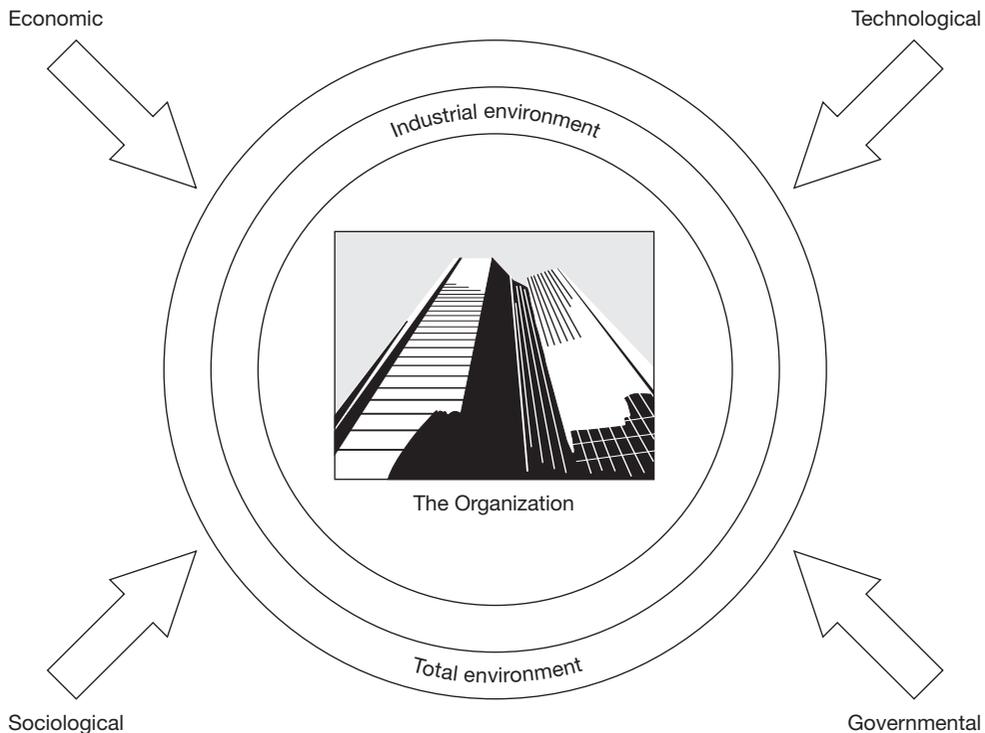
That is not to suggest that marketing systems and marketing strategies are irrelevant. Nothing could be further from the truth. Indeed the random disconnected ideas that will develop might well be a test in themselves as to the practicality of the marketing systems and organizations and the marketing plan. Any recommendations that derive from the audit should be considered both on their own merit and in relation to other corporate activities – marketing and non-marketing. They form yet another usable and desirable outcome of the methodical step-by-step approach inherent in all well-composed checklists.

The marketing audit, unlike many benchmark studies, does have a value as a one-off free-standing exercise, but its greatest use is as an ongoing regular practice of the company, so that comparison can be made between the results of each audit. Very early on (List 1, 'Marketing strategy and planning') emphasis is placed on clear and agreed objectives. As the Cheshire Cat pointed out to Alice, if you do not know where you are going, 'it doesn't matter which way you go'. It will not take a marketing audit to decide if the objectives have been achieved, but the audit will show if the route chosen was the most effective and profitable. It will also indicate whether particular marketing activities should be intensified, adjusted or dropped. Attention is drawn to both the obvious and the esoteric, which will be different for each company and manager. Thus, some questions may seem simple and indeed primitive for one organization or person, while the same points in another context may represent totally new thoughts.

Not surprisingly, most marketing checklists are externally orientated. They do not take into account the strengths and weaknesses of the company or the resources available over any period of time. While this book is substantially and intentionally inward-looking, and is designed to highlight the issues specific to a company and those that impact on marketing, it has by no means ignored the external situation.

It is not suggested that most managers do not know a great deal about their company, have a lively knowledge of the immediate environment in which they work and cannot respond sensibly and effectively to change: what is frequently lacking is an understanding of what might be termed the 'outer environment', where four major forces of change are at

work. These are government activities, technological change, sociological change and economic change – all irresistible forces in their own right and all interacting with each other.



## THE BUSINESS ENVIRONMENT

The impact of these forces on the outer environment must cause shock waves impacting on the business environment and in turn within the company itself. No organization is or can be insulated.

Marketing auditors, while not losing an introspective approach, must nevertheless remain firmly aware that they operate in highly volatile conditions and can control or influence only a minute proportion of them.

Turning now to the lists themselves, what has been attempted is to devise an extremely wide range of questions covering all the company's marketing activities and matters pertinent to them. The relevant questions can be selected and, hopefully, from the answers and their relationship with each other will emerge a series of marketing actions that will enable a greater exploitation of existing resources to occur. The process will indicate resources not required, and which are therefore being wasted, and also resources to be acquired.

Let us take some simple examples. There are, for most firms, about 220 selling days in a year in the United Kingdom and 365 in international markets. How many days a year is the salesforce engaged in selling, and how is the rest of the time accounted for? Is the balance of time justified by the cost of sales personnel doing something that is either not selling or not directly relevant to selling, and could it be done as effectively by someone else? How many sales calls are made each week in aggregate and individually? What is the cost per call and what are the time components of that cost, i.e. liaising within the company, preparing quotations, and the many other things a representative has to do in addition to the face-to-face sales situation, and which are so often overlooked in any assessment of the salesperson's time expenditure. Is it possible to make one more call of average quality per week? With a salesforce of ten and a typical four calls a day striking rate, this represents over 450 additional calls per year; what is the ratio of enquiries to calls; of quotations to business? Even a highly unfavourable ratio is likely to produce a great deal of extra business. How, then, can that extra call a week be achieved? The answers to these questions, all to be found in List 9, 'The salesforce and its management', will rapidly reveal if the salesforce is fully productive.

A second example can be drawn from List 13, 'Non-personal promotion: methods and media'. Many firms, but most particularly professional practices and service companies, fail to trace the source of enquiries from new clients or customers, and yet this is the only truly accurate guide as to which messages and which communication techniques are effective. It is very cheap, quick and simple to develop a tracing operation once it is appreciated how much this can contribute to profitable operations by ensuring that all promotion is concentrated on messages and methods that are seen to work.

Finally a glance at List 15, 'The buying process', will draw attention to the fact that all too few sales personnel ever look closely into the methods customers use to evaluate products or services or the criteria adopted for judging the end of the useful life of a purchase. This knowledge can sharpen the sales platform to a considerable extent by taking into account this key decision factor.

It will be seen that the basic classifications – materials, capital goods, consumer goods, operating supplies, semi-manufacturers and services<sup>1</sup> – have not been separated. Marketing auditors may have to adjust for the classification in which they are involved.

In using the lists it may be found that the answers to the questions in the various sections will not all be obtainable in one department or from one individual, or even within the company; therefore it would be unusual for an audit to be completed in a single session (although it is not impossible).

In my experience it is not usually necessary for each answer, particularly quantitative ones, to be provided with a high degree of precision. A phenomenon or pattern will generally be revealed by reasonable indicators. Precision should be sought only if the resulting action will be affected by the difference between an indicator and the exact position. If a market size is £50 million or £55 million, is it likely to affect the detailed, let alone the basic marketing strategy?

The order of the lists is in a sense very personal and as such idiosyncratic. Powerful arguments can be (and indeed were) made for reordering, using a different rationale – the importance of the subject, the sequence within the marketing process, alphabetical, ease of acquiring data, and so on. The continuum as presented now may appear to lack a formal logic, but it does correspond to a sequence found to work well in an actual audit. It will fit the circumstances of most organizations, but if it does not there is no reason why auditors cannot reorder the sequence to suit their own requirements.

Some questions have been repeated where they are needed in different sections, perhaps for different purposes. Where this occurs the questions have been cross-referenced to avoid having to rethink the answers. For example, Question 2.23 in List 2, 'Product/service range', on total cost analysis is repeated in List 23, 'Pricing', as Question 23.30.

Some readers may wonder why there is no section dealing specifically with the marketing message, as methods and media are covered at some length. In fact, questions relating to the marketing message, with their implications for making it more effective, will be found throughout the text: obviously in such lists as 'Product/service range' (2), 'The salesforce and its management' (9), 'Non-personal promotion: methods and media' (13), but perhaps not quite so obviously under the special circumstances of 'Non-differentiated products and commodities' (26) and 'Service businesses' (27).

Each list has a commentary, the purpose of which is to draw attention to some of the key questions and their implications and to illustrate points with short case histories. I have attempted to build into the commentaries a number of suggestions for consideration for action. In List 21, 'Physical distribution and packaging', for example, some classic failures are referred to: assuming a punctual despatch date implies a punctual receipt date and thus risking blame for late delivery; failure to design a pack that would enable distant, accurate, stock checks to be made by clear marking and 'remaining contents' indicators (where appropriate); failure to use the shipment and storage pack to carry advertising messages. In List 9, 'The salesforce and its management', an example is given of how one manufacturer managed to improve his average price obtained by sharing benefits with the sales team. Many other examples will be found throughout the book.

It is not only markets that are not homogeneous. Customers also vary widely in their needs, perceptions, policies and practices. Thus a different answer might well emerge from a number of the questions if they are applied to customers with different profiles. A practical breakdown that can be used as necessary throughout the checklists is:

- regular customers;
- sporadic customers;
- one-off customers;
- lost customers;
- prospective customers inviting quotations but not buying;
- prospects where no invitation to quote has been obtained.

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An example of the use of these categorizations will be found in the Introduction to List 18, 'User industries', and the topic is also dealt with in Question 18.11.

Because the attempt has been made to cover the relevant subjects fully and make the questions as comprehensive as possible, the task of undertaking a marketing audit using the checklist approach may look daunting. It need not be so. Typically, an audit for small operations would require less than a quarter of the questions listed. It is difficult to conceive of an occasion when the entire gamut of questions would be needed.

The sectionalization of the lists enables auditors, if they so wish, to look at individual parts of the business only, as each list, while cross-referenced, is also free-standing. Thus, if an audit of the agency resources, utilization and methods is required, List 12, 'The agency system', can be completed quite independently of any other section. To obtain the maximum benefit from the compilation, the user should see it both as a whole and in its parts.

One final suggestion: marketing auditors must be totally unbiased and neutral. Internal politics have no part to play in a marketing audit, and management should not expect auditors to remain objective if they are reporting on a situation that may reflect critically on themselves, their friends, or their department. In selecting a marketing auditor this factor needs careful consideration.

The decision process in which any exchange of money for goods and services is involved has five stages, at every one of which prospective purchasers must be convinced that:

- they have a need;
- the offer is the correct one to meet the need;
- the supplier can fulfil the need;
- the price is competitive;
- they can obtain the product/service at a time and in a place they require it.

Whether these five decisions are a simple moment of truth at the checkout of a supermarket or involve investment of millions of pounds in major plant, they nevertheless occur. In business-to-business markets the decisions will be much more diffuse and for many products will occupy a lengthy time span to allow for detailed comparison, physical testing and negotiation. The end purpose of the market audit is to bring prospective customers through the five stages as quickly and profitably as possible and to leave them with the conviction that they have obtained value for money from a company who are 'nice people to do business with'.

### *Notes*

- 1 Services are a minor exception in that, although they are taken into almost every section of the book, List 27, 'Service businesses', deals specifically with those aspects of marketing which are peculiar to them.



# How to use the checklists

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It has already been said that the use of the checklists is relatively simple. It requires only those skills that most managers would be expected to possess. They do, however, need a knowledge of the organization and its personnel as well as an ability to obtain cooperation from busy people. This is always best achieved if the purpose of the audit and the outcome are fully explained to those from whom it is sought.

The major innovation in this book, as compared to its predecessors, is one that will save a very considerable amount of time. Previously it was not practical to use the actual book to conduct the audit, so it was necessary to re-type those lists and questions to be asked, leaving enough space for answers. This can now be avoided since the lists (without the introductory sections) are to be found on the CD-ROM that accompanies the book. It is now easy to select or eliminate lists or sections, add questions and quickly follow a cross-reference by clicking on the appropriate List number and then scrolling down to the question. In practical terms, it will be found best to print out the questions to be used and to complete the answers on hard copy during the interview and then transfer them back to the computer, if necessary.

Basically three requirements exist:

- deciding which questions are relevant;
- knowing where to obtain the information;
- interpreting the answers into terms of actions to be taken.

The procedure for conducting an audit is as follows:

1. First check the documentation required for the audit. Some suggestions for the material that will be needed are given at the end of this section and on the CD-ROM. Where the