Basically, a marketing audit is the means by which a company can understand how it relates to the environment in which it operates. It is also the means by which a company can identify its own strengths and weaknesses as they relate to external opportunities and threats. It is thus a way of helping management to select a position in that environment based on known factors.

Expressed in its simplest form, the purpose of a marketing plan is to answer three central questions:

- Where is the company now?
- Where does the company want to go?
- How should the company organise its resources to get there?

The audit provides the information from which the first of these questions is answered. An audit, then, is a systematic, critical and unbiased appraisal of an organisation’s market environment and of its operations. A marketing audit is also part of the larger management audit and is concerned with the marketing environment and marketing operations.

An audit is a structured approach to collecting and analysing information

Often, the need for an audit does not manifest itself until things start to go wrong, such as declining sales, falling margins, lost market share, under-utilised production capacity, and so on. At this point the marketing audit becomes a last-ditch, end-of-the-road attempt to define a company’s marketing problem. An equally problematic approach is that an audit is something done by an independent body, from time to time, to ensure that a company is on the right lines. However, since marketing is such a complex function, it seems illogical not to carry out a thorough situation analysis at least once a year at the beginning of the planning cycle.

There is much evidence to show that many highly successful companies, as well as using normal information and control procedures and marketing research throughout the year, also start their planning cycle each year with a
formal review, through an audit-type process, of everything that has had an important influence on marketing activities. Certainly, in many leading consumer goods companies, the annual self-audit approach is a tried and tested discipline integrated into the management process, which, like other managerial processes, becomes easier to perform the more regularly it is conducted.

The audit, then, is a structured approach to the collection and analysis of information and data in the complex business environment and is an essential prerequisite to problem-solving.

**Marketing Audit Variables**

Any company carrying out a marketing audit will be faced with two kinds of variables. First, there are variables over which the company has no direct control. These usually take the form of what can be described as environmental, market and competitive variables. Second, there are variables over which the company has complete control. These can be called operational variables. This gives a clue as to how to structure an audit. That is to say, in two parts:

- **External audit.**
- **Internal audit.**

The external audit is concerned with the uncontrollable variables, whilst the internal audit is concerned with the controllable variables. It, therefore, starts with an examination of information on the general economy and then moves on to the outlook for the health and growth of the markets served by the company. The purpose of the internal audit is to assess the organisation's resources as they relate to the environment and vis-à-vis the resources of competitors. Table 15.1 contains a check-list of areas that should be investigated as part of both the internal and external marketing audit.

Each of the headings shown in Table 15.1 should be examined with a view to isolating those factors that are considered critical to the company's performance. Initially, the auditor's task is to screen the enormous amount of information and data for validity and relevance. Some of the data and information obtained for an audit will have to be reorganised into a more easily usable form, and judgement will have to be applied to decide what further data and information are necessary to a proper definition of the problem. Behind the summary headings, however, more detailed questions