

THE ROLE OF PRODUCT AUDIT POLICY IN INCREASING ORGANIZATIONAL PERFORMANCE

VIOLETA RĂDULESCU, ANCA FRANCISCA CRUCERU *

ABSTRACT: *In terms of markets more competitive, competitive advantage becomes a problem getting increasingly more difficult. Offer organization is the first element that can provide differentiation from competitors, the organization should regularly monitor the performance of their products in the market to achieve its objectives. Marketing decisions regarding product policy of the organization should be made after a comprehensive analysis within specific steps of strategic marketing planning. It is necessary, therefore a thorough analysis of the product portfolio of the organizations. In this regard an important role hold product audit policy and brand audit. This paper aims to present the steps and methods to be used for effective analysis of the product portfolio of the organization to effective competition on the relevant market.*

KEY WORDS: *strategic marketing planning; marketing audit; product audit; brand audit portfolio planning model;*

JEL CLASSIFICATION: *M31*

1. INTRODUCTION

Formulation of marketing strategy is a complex process that requires a strategic approach to marketing planning as the organization seeks to achieve clearly defined objectives.

Thus, setting goals, establishing strategies that adequate and appropriate marketing mix choice requires managerial decisions based on an audit conducted in all parts of the organization's marketing policy.

In the process of formulating marketing strategy, marketing objectives should be established in conjunction with the overall objectives of the organization, which are

* Lecturer, Ph.D., *The Bucharest University of Economic Studies, Romania,*
ancacrucerul@gmail.com

Lecturer, Ph.D., *Faculty of Marketing, The Bucharest University of Economics Studies,*
Romania vio.radulescu@yahoo.com

specified for each product and for each chosen target market. Marketing objectives concern both products and markets and are expressed quantitatively (eg, growth in sales, attract a greater number of consumers etc.) and qualitative (eg, improving the image of the product, brand or organization).

Marketing strategy assumes a vision, a perspective or a course of action, so it can be taken accidentally, but only by careful strategic planning conducted.

According to Cook (1998), strategic planning reflects the vision of the organization on its market position and future role assumed.

Organization's vision on customers, competitors and the activities to be undertaken will guide management decisions towards achieving a competitive advantage. Therefore, the purpose of strategic planning is to give the organization a competitive advantage on the relevant market. Based on this idea, organizations wishing to hold a competitive position must be able to constantly adapt to market changes and try at the same time, satisfy customers by applying the principle of market-oriented strategic planning. In view of Kotler (1998), strategic planning can be defined by the following three aspects:

- the organization's activities are considered as constituting investment portfolio and therefore the organization will be the one to decide what activity will be extended, maintained, seized or removed;
- correct assessment of future profit potential of each activity, taking into account the rate of market growth and market position within the company;
- developing a strategy for each activity in order to achieve objectives.

In conclusion, purpose of strategic marketing planning is to identify and create competitive advantage. Strategic marketing planning is a logical sequence and also includes a series of activities leading to setting goals and formulating marketing strategies and tactics to achieve objectives with financial consequences arising from the application of the proposed strategies. (McDonald, 2007). Since in practice it is useful to know the place and role of marketing audit in the strategic planning process were a lot of other theoretical approaches. Author David Parmerlee (2000) considers marketing audit tool which measures the value, risk and effectiveness of marketing efforts and can increase data acquisition efforts aimed at organizational performance.

So marketing audit should be considered one of the most important stages of the strategic marketing planning process by assessing the current situation and potential of the organization from a marketing perspective.

2. PRODUCT AUDIT POLICY

In the strategic marketing planning, an important role is held by product audit policy of the organization. Performance of a product in the market is conditioned by a number of elements that make this product audited.

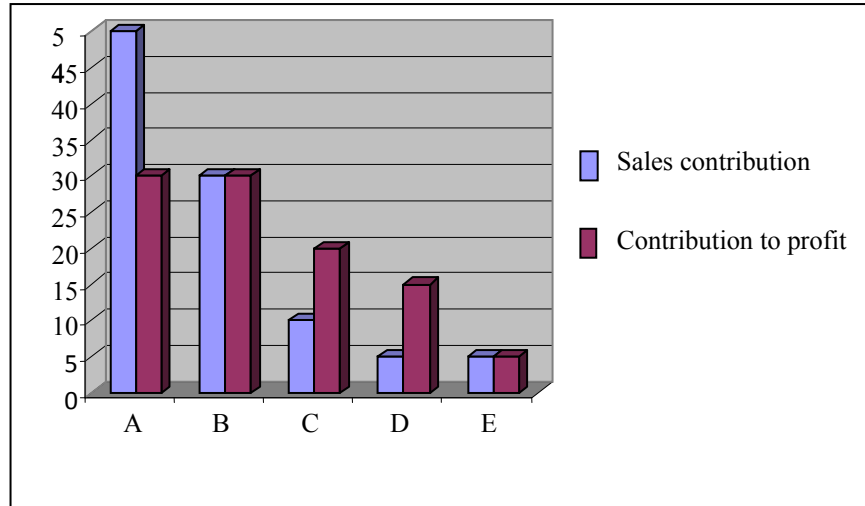
As a tool in product evaluation and control it using a set of quantitative methods that can be evaluated product performance - revenue from product market share, total profit contribution, and qualitative methods which can be considered a series of factors such as emotional and subjective about the product - its image, brand

value, customer satisfaction, etc. Product audit policy follows a number of issues, such as:

- Consistency between objectives of product and market objectives and the organization;
- Analyze product portfolio to determine which products should be maintained, supported or removed;
- Examine the possibility to market new products and their potential;
- Study positioning products on the market and consumer attitudes about the quality, features, brand their products and competitors;
- Correct formulation of product strategies to achieve objectives.

Before taking any decision on the policy management product analysis is required of the product. This analysis can be done analyzing different aspects such as: (1) study the organization's internal and external sources, (2) study the product's contribution to company sales and profits, (3) identify growth potential relative to the market and competition, (4) studying product and brand image among consumers.

An important role in the analysis of existing products is auditor must determine what contribution range / line of products in total sales and total profit, and each line in the range and each product in the line. Thus the internal documents of the company (as sales and profits) identify which are the most profitable products, both in the range and in the product line. This analysis should be performed and total, and each distributor, geographic area or type of customer. Figure 1 shows graphically report sales and profits for the six products within a product line.



Source: Kotler, Ph.; Keller, K.L, *Marketing Management, 13th edition, Pearson International Edition, p. 369*

Figure 1. Contribution products in a product line total sales and total profit line

Thus, the product has a 50% share of total sales and 30% of total profit, while product B accounts for 30% of total sales and 30% of total profit. If these two items are then attacked by competing products may cause a sudden drop in profit, imposing close

monitoring and protection products A and B. On the other hand, the product E contributes only 5% to achieve sales and profit, so product manager should consider the option of removal. But if it has high potential for growth, then the decision will be to maintain the product portfolio.

It is recommended that this analysis be related to product life cycle analysis for products in the launch and growth phase requires much higher costs, their contribution to profit was lower than in the case of products adulthood.

Furthermore, all organizations are no products varies marginal rate of return, taking into account the total sales and promotion expenses, making the decision to keep or eliminate one of the products is difficult.

Kotler (1998) believes that a company's products can be classified into four categories:

- Commodities with high volume sales and high costs of promotion, so the marginal rate of return low;
- Complementary products role to help increase product quality, has a lower value of sales promotion expenses but not so with a higher marginal rate of return;
- Special products with low sales volume, but can be highly promoted or generate income as a result of associated services - delivery, installation and so on; Accessories with a high volume of sales, but poor promotion. This leads to a high rate of return, consumers tend to purchase them from the same place.

In analyzing the product, should be given attention and rotation of stock for each product, especially for slow moving products that affect the firm's total costs. In this analysis will take into account the seasonal nature of some products. An analysis focused only on sales and profit development does not provide a complete picture of products / product lines of which are recommended methods of analysis taking into account market developments and competitive situation.

Among the analytical methods used for this purpose are specified BCG method and product positioning map. or products. Analyzed products can be placed in the 4 quadrants corresponding to distinct BCG matrix. Products in quadrant "Question marks" is produced which acts on a fast growing market, however in terms of competition have a significant position. Their evolution is considered uncertain because it is during launch and need cash. Products "Stars" acts on a fast growing market and managed to become the market leader. As a result, contributes to the organization's annual business and improve its image. Products placed in quadrant "Cash cows" are products occupy a leading position in a market in a slow growth, stagnation or even decline, accounting for certain values of the organization, in that they provide liquidity to finance other products located in other quadrants. "Dogs" are products on the market to slow growth, stagnation or decline and failing to have leadership. They do not contribute to profit enterprise or to improve its image, considered products in declining stage of the life cycle. Since liquidity needs arises their maintenance or abandonment, but only after a thorough analysis of all aspects of economic and financial (ie their share in the total turnover of the organization).

An effective method of analysis and research of the product is the product - a separate component of market research, which signifies a diagnostic analysis, such as highlight both the strengths and weaknesses of the product line or range of

manufacturing. The research product can achieve its position relative to competing products based on the most important attributes. These attributes are set based on information from interviews and surveys conducted among consumers in order to investigate their opinion about the different product features and other elements of brand association. The importance attached to these items for the consumer is a significant element as product analysis.

Because the product or brand positioning was called by some marketing experts and "competitive placement" (Bruhn, 1999), the organization will expand the product range according with consumer demand using the map positioning. Positioning will be communicated to the target audience so that it can easily perceive the benefits of that product or brand. It is recommended to avoid positioning errors such as:

- Inefficient positioning, characterized by failure to identify clear benefits to consumers of the product or brand promoted;
- Confused positioning situation where the product image or brand is confused due to wrong communication messages transmitted;
- Excessive position when focus is mainly on a particular product or brand of the organization at the expense of other products and brands in its portfolio.

When using positioning maps chart will be positioning the angle between the axes is directly proportional to the percentage of client attribute importance. To determine whether objectives were met, positioning achieved compared to an ideal model, that the organization wants it for product or brand and thus determine the extent to which consumers perceive the product / brand seen in the way you want organization. This analysis is done by comparing the two graphs and mathematical models by calculating the areas of the two squares (Pelau, 2008). Way, as the surfaces of the two graphs tend to overlap with the product is positioned closer to the desired level.

Product audit not only aims to determine the position of a product in the market or within the organization but to determine which are the possible causes of its underperformance. Of methods that can be used for this purpose, may be mentioned:

- consumer opinion research on product characteristics and packaging, services that accompany the product;
- research customer complaints, the main source of information is this:
 - Stores - are the first units to which they are addressed customer complaints, as they provide information about the reasons for returning the goods;
 - Sales service - which provide the auditor with information about the causes of failure products;
 - Sales force is an important source of information for consumers is through direct contact with their complaints about the company's products, but also performed a comparative analysis of competing products;
 - Internet - is now a powerful source of information through various websites and discussion forums consumers express their opinion about certain products or services are benchmarking etc.
- research among experts both within the company and outside it;
- making visits to retailers to determine storage conditions and product presentation within the store.

The audit also produce, monitor and analyze the possibility of introducing new products and potential market their new product requiring significant investments that will be even bigger and riskier as the product is new and the market will be is introduced later. The causes of failure are often related to lack of research and a robust control system. The audit will follow as, risk analysis it generates lack of information in new product launch and potential lack of coordination between marketing and R&D department, it effectively represents an important barrier in the way of innovation.

3. BRAND AUDIT

As we know, consumers strongly associate the product with the brand name assigned to it. Brand, acorporală component of the product may constitute an important criterion in the decision to purchase. Consumers buy brands strongly supported by promotion rather than no-name products. Therefore, organizations have to invest in the business of brand image building products and carefully manage this portfolio of brands.

Brand audit aims therefore to periodically review brands under which the organization sells its products in the market, thus mark a decisive factor in choosing a product.

Use and brand management by organizations is today a necessity for at least two reasons, on the one hand gives brand identity products, product mix or organization and help to create an image on the other side of the consumer and the brand performs a distributor series of fundamental functions.

Trademarks analysis can be performed from two main levels: at the consumer level, when analyzing brand equity (*brand equity*) and power mark (*brand strength*) and the organization, when considering the value of the brand (*brand value*).

Brand awareness refers to the awareness of the brand (if known consumer brand) and its image (how consumers perceive the mark). Measure brand awareness of the brand in the consumer's mind and availability can be determined by studying the level of brand recall (*brand recall*) and recognition of its (*brand recognition*).

In the context of strategic planning, brand audit to find answers to questions about the brand's contribution to the financial value of the organization. The term used for this purpose is "*brand valuation*" (Mooradian et al., 2012).

In the measurement of brand image can be used Brand Asset Value analysis model developed by Young and Roubicam agency. This model proposes a brand image assessment based on five dimensions (Kotler & Keller, 2009):

- *Differentiation* - the extent to which a brand is seen as different from another;
- *Energy* - measures the significance of the mark at a time;
- *Relevance* - measuring the extent of attraction mark;
- *Assessment* - measures how well regarded and respected brand;
- *Knowledge* - assesses emotional and symbolic benefits of the brand.

The first three features - differentiation, energy and describe the relevance of brand strength, which can be assessed based on the future value of the brand. The last two features - the appreciation and knowledge creates brand status, and past

performance is an indicator of the mark. Based on the two criteria, marks can be classified into six categories (Kotler & Keller, 2009):

- new brand entrants who have power but are not known,
- undeveloped brands, which have very low values in all five criteria - are not supported in their development and hence does not pay;
- increasing trademarks or acting on niche markets characterized by low incomes but with great potential;
- market leaders are brands that bring significant revenues and have great potential;
- major brands that were being overtaken by competitors leaders bring significant revenues but have a low potential;
- eroded brands that are known but not have power, have low potential and bring low income.

Brand management thus becomes a complex problem for the organization because you have to choose appropriate strategies to build and strengthen those marks which are really valuable for development and to target consumers.

4. CONCLUSIONS

To achieve high performance, efforts should be directed towards knowledge organization existing business opportunities and realizing them as good.

At the managerial level there are a number of problems that can be solved through marketing audit. Because marketing audit is a valuable tool for assessing and controlling marketing activities carried out within the organization, then can be analyzed through its approach issues related to the organization of the market, the products offered by the market and efficiency marketing actions and tactics implemented in the reference market.

Analysis of micro and macro organization, marketing objectives and strategies are specific steps of strategic marketing planning.

The organization initiated a marketing audit to correct any failures between objectives and strategies appropriate marketing mix and to draw lines in marketing future action.

Therefore, the the product policy, product and brand audit is to analyze the performance achieved by the product, its position relative to other competitive products on the market and development potential of existing product portfolio correlated with the overall objectives of organization. It is recommended that this analysis be performed riorously by specialists from outside the organization who can capture an objective view of marketing activities undertaken.

Applying concepts related to strategic planning, competitive advantage, analysis methods applied product portfolio will contribute substantially to the success of marketing audit for the purposes of identifying strategic directions for action to be pursued by the organization.

Need for product audit is supported by the competitive context in which the organization operates. Orientation competitors business requires careful analysis of competitive strengths held by them at the product level. Knowledge of issues related to the strengths and weaknesses of competing products into a significant managerial

competence aimed to determine success in the field. Development of its product range or restriction are marketing decisions to be taken only after careful product audit conducted. All the information submitted as a result of the product audit will be based of marketing strategies implemented by the organization.

Therefore, creating a comprehensive marketing audit and efficient the product policy analysis involves its correlation with the other components, so the market organization - customers, competitors, socio-economic factors etc.- and with the objectives and strategies of the three levels of strategic planning because although product policy is managed by the organization, product market success depends on circumstantial situation it is released or is at any given time.

Finally should be mentioned, the importance given to product audit specialists, their ability to recognize the achievement of effective analysis and description of relevant marketing tactics.

In the context presented, the article aims to present several methods which can be assessed organization and performance of the product in the market and the organization, which is very helpful both as theoretical basis for developing science of marketing audit and in practical terms, for all those who want to conduct an audit of the product policy.

REFERENCES:

- [1]. **Bruhn, M.** (1999) *Marketing*, Editura Economică, București
- [2]. **Cook, K.J.** (1998) *Planificarea strategică pentru întreprinderi mici*, Editura Teora, pp.12-15
- [3]. **Kotler, P.; Armstrong, G.; Saunders, J.; Wong, V.** (1998) *Principiile marketingului, ediția europeană*, Editura Teora, pp. 103-105
- [4]. **Kotler, P.; Keller, K.L.** (2009) *Marketing. Management*, 13th edition, Pearson International Edition
- [5]. **McDonald, M.** (2007) *Marketing plans: How to prepare them, how to use them*, sixth edition, Elsevier Ltd.
- [6]. **Mooradian, T.A.; Matzler, K.; Ring, L.J.** (2012) *Strategic Marketing*, International Edition, Pearson Prentice Hall, pp. 256-257
- [7]. **Parmelee, D.** (2000) *Auditing Markets, Products, and Marketing Plans*, NTC Business Books, Chicago
- [8]. **Pelău, C.M.** (2008) *Marketing – Controlling pe piața bunurilor de consum*, teză de doctorat, București, pp. 39, disponibilă pe http://t-biblioteca.ase.ro/resurse_electronice/teza_capitole.php, [Accessed September 2012]
- [9]. **Rădulescu, V.** (2012) *The Role of Market Analysis in Developing Efficient Marketing Audit*, International Journal of Academic Research in Economics and Management Sciences, Vol. 1, No. 5 ISSN: 2226-3624, pp. 222-229