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MARKETING ASPECTS OF AUDIT COMPANIES ACTIVITIES IMPROVEMENT IN UKRAINE

Abstract. *The article investigates features of audit services market in Ukraine. The nature of the audit services market is determined; the distinctive features of audit services are analyzed. There have been systematized consumers queries, service customers according to a five-stage model of perception. There have also been revealed some peculiarities of the marketing activities of companies of audit services market that are based on components of the marketing mix and the model oriented at the consumers' request.*

Keywords: *marketing activity; marketing mix; audit services; audit services market; audit company; perception.*

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**МАРКЕТИНГОВІ АСПЕКТИ ВДОСКОНАЛЕННЯ ДІЯЛЬНОСТІ
АУДИТОРСЬКИХ КОМПАНІЙ В УКРАЇНІ**

Анотація. *В статті досліджено особливості ринку аудиторських послуг України. Визначена сутність ринку аудиторських послуг, проаналізовані відмінні ознаки аудиторських послуг. Систематизовані запити споживачів, замовників послуг за п'ятиступеневою моделлю сприйняття. Виявлені особливостей маркетингової діяльності компаній на ринку аудиторських послуг, що базується на складових маркетингового комплексу та моделі орієнтованої на запиті споживачів.*

Ключові слова: *маркетингова діяльність; маркетинг-мікс; аудиторські послуги; послуги на ринку аудиту; аудиторська компанія; сприйняття.*

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**МАРКЕТИНГОВЫЕ АСПЕКТЫ СОВЕРШЕНСТВОВАНИЯ ДЕЯТЕЛЬНОСТИ
АУДИТОРСКИХ КОМПАНИЙ В УКРАИНЕ**

Аннотация. *В статье исследованы особенности рынка аудиторских услуг Украины. Определена сущность рынка аудиторских услуг, проанализированы отличительные признаки аудиторских услуг. Систематизированы запросы потребителей, заказчиков услуг по пятиступенчатой модели восприятия. Выявлены особенности маркетинговой деятельности компаний на рынке аудиторских услуг, что базируется на составляющих маркетингового комплекса и модели ориентированной на запросе потребителей.*

Ключевые слова: *маркетинговая деятельность; маркетинг-микс; аудиторские услуги; услуги на рынке аудита; аудиторская компания; восприятие.*

Urgency of the research. The development of economic processes in Ukraine makes necessary the development of different types of business entities control activities. Thus, in the current business environment, auditing is one of the most popular types of control, which in addition to the validation of

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financial metrics, provides other services and is engaged in the development of proposals for optimization of economic entities business activities.

Target setting. The audit service has certain characteristics that are inherent only to it, consequently, it is important to study the features of the audit market and the essence of marketing activities of companies, the main product of which is the audit service.

Actual scientific researches and issues analysis. A number of specialists' works are dedicated to problems of audit activities development in Ukraine and abroad. In particular, the works of O. Priateljchuk [4], N. Abakova [2], I. Sakhno [5] are devoted to the development and organization of the audit, the analysis of the provided audit services.

The research objective. The purpose of this article is to study the nature and the main differences of marketing activities in Ukraine, to identify the peculiarities of marketing activity of companies at the market of audit services that is based on components of the marketing mix and models oriented at the users' request.

The statement of basic materials. Auditing activities in Ukraine are presented by a wide range of professional services, the main of which is the audit, that is verification of accounting data and financial statements of a business entity to provide an independent auditor's opinion about its reliability in all material aspects and compliance of existing legislation or other rules according to the users' requirements.

The main law regulating auditing activities in Ukraine is the Law of Ukraine "About auditing activity", which defines the legal framework for the implementation of audit activity in Ukraine and is directed on creation of independent financial control system in order to protect the interests of financial and other economic information users [1].

To ensure the quality of audit services in Ukraine there were adopted International standards on auditing as national standards. During their introduction, the Auditor's Chamber of Ukraine (ACU) translated into the Ukrainian language such publications of auditing standards of International Federation of accountants as IFAC 2001. Auditing standards and ethics; International standards on auditing, assurance and ethics: 2004 edition; 2005 edition; 2006 edition; 2007 edition, International standards on quality control, auditing, review, other assurance, and related services edition 2010 and International standards on quality control, auditing, review, other assurance, and related services edition 2012 (decision of ACU from 27.02.2014 № 290/7). In 2014, the ACU in agreement with the IFAC translated the new edition of the International standards on quality control, auditing, review, other assurance, and related services of 2013 edition, according to the decision of ACU from 24.12.2014 No. 304/1 approved for mandatory use when assignments from 1 January 2015 as the national auditing standards. In addition, the decision of ACU from 27.02.2014 № 290/7, ACU has adopted a Code of ethics for professional accountants of International accountants Federation of edition 2012, for mandatory application by auditors of Ukraine from 1 May 2014 [7].

Thus, according to the national legislation, the audit is to check accounting and financial reporting, all other activities are audit-related services. Today in Ukraine such types of audit and related services are being developed:

- accounting (support, consulting);
- taxation optimization;
- translation of financial statements according to international standards;
- financial analysis;
- restructuration of financial service, organization of controlling service;
- development of recommendations in the areas of software accounting and financial management;
- consulting support of projects with participation of foreign capital;
- legal consulting;
- arbitration support of clients' cases;
- development of internal accounting of transactions with securities and depository operation standards for professional participants of the securities market;
- services for the selection and training of certain categories of personnel [5].

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As O. Prijatelchuk [4] noted, there is currently an active expansion of demand for audit services, which is undoubtedly due to government authorities, which the customer, through the adoption of relevant legislation, adds customers to audit companies, we are talking about companies which are subject to mandatory audit (currently open and closed joint stock companies, limited liability companies, etc.). In addition, there are purely economic reasons – the share of business allocation, the assessment of which is conducted by the auditors, and too complicated system of taxation and significant penalties by the tax authorities. In this case, the auditors provide services in optimization of tax system and verification of tax reporting before it can be submitted to the tax authorities. Besides, auditors are becoming more likely to be involved in audits, checks, which customers are state agencies. Auditors must be involved at the time of privatization, re-privatization, land property share.

The main features of the development of audit services market in Ukraine are the following. First, it is the uneven distribution of the number of audit firms and auditors, as well as the cost of audit services in the regions. The biggest number of audit firms are presented in the capital and metropolitan cities.

Second, due to the expansion of Ukraine's services markets and increasing number of entrepreneurial activities, the vast majority of audit firms' clients are represented by enterprises of non-productive sphere.

Third, in contrast to the global trends of the separation of consulting services from auditing by selecting them with the creation of a separate business entity, in domestic audit firms they are closely connected. Moreover, consulting services are about half the total volume of services provided by auditing firms. The reason for this is, on the one hand, the desire to keep customers providing a variety of services, seeking alternative sources of income, and on the other hand, the desire of the client to obtain from the audit firm not just one but a range of services. However, the breadth of services leads to the emergence of threats to independence and, consequently, to the deterioration of the service quality [5].

Fourth, the audit market in Ukraine is characterized by considerable stratification of participants. About 60% of its volume belongs to the leading audit companies, whose turnover is more than one million hryvnas a year [3].

Fifth, the typical seasonality of the business is a characteristic feature of audit, which happens due to the fact that the audit report is prepared for the client once a year. The first and fourth quarters of the year is characterized by the rise of employment, the second and third - by decline. To achieve uniform employment auditors tend to expand the range of services by tax consultancy; production, reconstruction, and maintenance of accounting, formation of financial (accounting) reporting, accounting consultation; valuation of enterprises property as property complexes, and even business risks, etc [2; 20].

Taking into account the characteristics of the auditing market, marketing activities of these companies will have some differences. Thus, marketing activity of the company is a management activity, aimed at the development of audit services by evaluating the needs of consumers (clients) and operations to meet these needs. The essence and content of marketing activities reflect the objective conditions of development of the market, which to a certain extent loses its randomness and are subject to the regulatory impact of pre-established economic ties, where a special role is given to the customer. The characteristic features of the basic components of audit firms marketing mix are given in Table 1.

Table 1

Characteristic features of the basic components of audit firms marketing mix

Marketing mix "4P"	Features
1	2
Product	The audit market product is auditing, which is regulated by normative-legal acts. Therefore, such aspect as the uniqueness of the product, which allows companies to compete with each other, is absent in the audit market. The range of services can be expanded due to related services, which is typical for the Ukrainian market.

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Continuation of Table 1

1	2
Price	Pricing is one of the main challenges in the market of audit services. There are two common methods of determining prices on the following services: - setting prices based on the cost of one day of the auditor work; - pricing based on total volume of work performed.
Place	Feature of this component is due to the inseparability of services from their manufacturer (the person who provides them). If the product in its material form exists independently without its producer, the service is not able to be alienated. This imposes constraints on the development of the marketing activity, distribution policy. The functions inherent value units are often aimed at sales promotion services, which is more characterized for the policy of promotion.
Promotion	Promotion policy for the companies of audit services is based on advertising, PR-events, direct marketing. However, it is worth noting that advertising methods, which are widely used in commodity markets, the market for audit services will not be effective, since this activity is associated with significant influence of the human factor and, as a result, with trust both to the individual auditor and the company as a whole. Therefore, the most relevant in the policy of promotion is to assist in the formation of positive business reputation of the company through the marketing of communication tools.

To study the nature of auditing services from the perspective of marketing, it is necessary to consider a five-stage model of audit services perception. The model is focused on the needs of consumers, customers, facilities, and key moments are the concepts of expectations and perceptions of services provision. According to this model, the perception of service quality is seen as the result of the presence or absence of gaps at five levels (Fig. 1). "Gaps" refer to exceeding customer expectations on services, as a result of its provision.

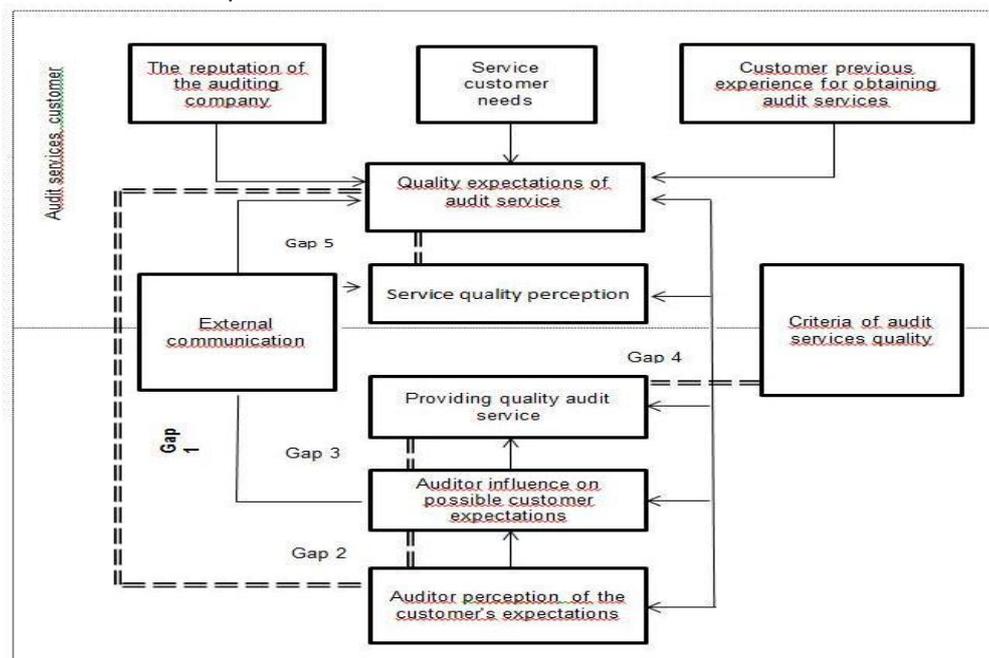


Fig. 1 Five-stage model of perception of audit services (developed by the authors)

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The first level (Gap 1) reflects a possible gap between customer's expectations and auditor's perception of these expectations. That is, the misunderstanding of the real needs of the customer in the sphere of audit services.

The second level (Gap 2). A break of this level can be avoided if in the process of communication with the customer, we can bring him more details of the auditing company capabilities and the specifics of the services according to Ukrainian realities.

The third level (Gap 3). Taking into account the specifics of audit services, the probability of this gap is minimal since the legal sphere heavily regulates this service.

The fourth level (Gap 4) – a possible gap between the quality of services and external information supplied to the customer by using marketing communications of other participants in the audit market.

The fifth level (Gap 5) gap is key in this approach because it can occur due to breaks in any of the previous levels.

According to this model, to control the marketing of audit services there are supposed to be necessary - analysis, planning, organization, control and adjustment of the following five situations of interaction with the customer, with the purpose of inadmissibility of the differences between expectation and perception of quality of provided audit services.

In the practice of audit firms, we can allocate such components of marketing activities: conducting market research; pricing policy for audit and related services; search and involving of clients.

Conducting market research involves the collection and analysis of information, necessary for making future marketing decisions. These studies involve the analysis of both external and internal factors that can affect the audit of the company; special attention is paid to the analysis of the marketing policy of competitors and consumers (potential customers). As for its competitors, the most important is the issue about the number of customers and range of services, the total turnover of competitors companies, especially pricing policy. Basing on the specifics of the audit market, it is very important to find ratings of audit and consulting companies, as well as audit associations information. The most "strong" Ukrainian audit company are included in the international associations. It should be noted that there are different forms of international audit associations: international audit network, international audit associations, international alliances of firms [3], the characterization of these forms is given in Table 2.

Table 2

Forms and characteristics of the auditing associations

Form of audit associations	Feature
International audit networks (company)	Have a common policy, methods and approaches of auditing, which are mandatory for implementation in each audit company, which is a member of this network. Due to this, sufficiently high standards are achieved regardless of the country. Usually the members of international networks have a common name. That allows to globalize the brand of this network
International audit associations	Professional associations, where each audit firm has the freedom in the choice of procedures and methodology of the audit, depending on the country. Common methods are voluntary and not mandatory. But it is obligatory to have professional practices of audit firms according to international standards. Company members of the association use its own name, thus creating their own reputation in the market of a particular country
International alliances of companies	They are associations of not only audit but also legal, real estate and other firms with the aim of providing complex services by recommending each other

The study of potential consumers is also an important step in marketing research. It is the identification of unmet customer needs will allow the audit company to develop a customized service offering, both from the point of view of the range of audit and related services and pricing. In different auditing

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companies, the cost of one day of the auditor's work may differ significantly. This is due to the influence of both objective and subjective factors. In particular, the price of the service will be under the impact of business reputation of the auditor company, experience and scope of its activities.

The successful activities of the audit companies today also depend on the application of tools of marketing communication policy: advertising, PR, events, direct marketing, etc. As indicated in table.1, the conventional promotional activities are not effective, as the audit service is largely connected with the influence of the human factor and, as a result, with the trust both to the individual auditor and the company as a whole.

Conclusions. Thus, the marketing activities of companies in the audit market is significantly different from the activity of other markets such as goods markets and services markets. The basic distinctions of audit services market are the following: uneven regional distribution; service customers are mainly the representatives of the non-productive sphere; there is a close relationship of audit and consulting services; the market is characterized by significant stratification of the participants, most of the market is owned by several large audit firms belonging to international audit networks. Marketing activities of audit services are based on market analysis and the marketing mix, which is dominated by such components as pricing and promotion policy, which is aimed at formation of positive business reputation of the audit company.

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