

Creating customer value: general concept questions

[Business](#), [Marketing](#)



Chapter 5: Creating Customer Value, Satisfaction, and Loyalty GENERAL

CONCEPT QUESTIONS Multiple Choice

1. _____ are adept at building customer relationships, not just products; they are skilled in market engineering, not just product engineering. a. Profit-centered companies b. Customer-centered companies c. Production-centered companies d. Sales-centered companies e. Promotion-centered companies

Answer: b Page: 119 Difficulty: Easy AACSB: Reflective Thinking

2. The opening vignette on Ritz-Carlton shows that successful marketers are the ones that fully _____. a. understand promotional strategy b. diversify their product line . divorcethemselves from a production mentality d. satisfy their customers profitably e. understand the sales concept Answer: d Page:

120 Difficulty: Medium AACSB: Reflective Thinking

3. In the modern customer-oriented organizational chart, which of the following is considered to be at the top of the organizational pyramid? a. Sales b. The president c. Front-line people d. Customers e. Middle

management Answer: d Page: 121 Difficulty: Medium

4. _____ is the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives. a. Perceived usefulness . Failure avoidance rate c. Report rating d. Customer-perceived value e. Competitors' market share rate Answer:

d Page: 121 Difficulty: Medium AACSB: Analytic Skills

5. Total customer benefit is the perceived monetary value of the bundle of economic, functional, and _____ benefits customers expect from a given

market offering. a. psychological b. intangible c. realized d. fabricated e. advertised Answer: a Page: 121 Difficulty: Hard AACSB: Analytic Skills

6. The bundle of costs customers expect to incur in evaluating, obtaining, using, and disposing of the given market offering is called the _____. a. organizational expense ratio b. shopper's fatigue c. total customer cost d. analysis paralysis e. comparison shopping to comparison buying ratio

Answer: c Page: 121 Difficulty: Medium AACSB: Analytic Skills

7. In applying a customer's perceived value to a decision, a seller who is at a disadvantage with respect to customer-perceived value has two alternatives: to increase total customer benefit or _____. a. increase a cash-back bonus b. decrease total customer cost c. lose the sale to the competitor d. advertise more frequently e. offer an extended warranty Answer: b Page: 123 Difficulty: Medium AACSB: Analytic Skills

8. The final step of customer value analysis is to _____. a. identify the major attributes and benefits that customers value b. assess the company's and competitors' performances on the different customer values against their rated importance c. examine how customers in a specific segment rate the company's performance against a specific major competitor on an individual attribute or benefit basis d. monitor customer values over time e. assess the quantitative importance of the different attributes and benefits

Answer: d Page: 122 Difficulty: Medium

9. The _____ consists of the whole cluster of benefits the company promises to deliver; it is more than the core positioning of the offering. a.

customer promise b. mission statement c. corporate pledge d. corporate-perceived value e. value proposition Answer: ePage: 123Difficulty:

MediumAACSB: Analytic Skills

10. A company's _____ includes all the experiences the customer will have on the way to obtaining and using the offering. a. value proposition b. value delivery system c. customer-value analysis d. total customer benefit e. total customer cost Answer: bPage: 123Difficulty: EasyAACSB: Analytic Skills

11. Total customer satisfaction is measured based on the relationship of _____. a. anticipated and real performance b. perceived performance and expectation c. advertised outcomes and real outcomes d. past experience and present experience e. customer attitude and salesperson's attitude Answer: bPage: 124Difficulty: HardAACSB: Reflective Thinking

12. The ultimate goal of the customer-centered firm is _____. a. high customer satisfaction b. high profits c. low costs d. maximum stakeholder satisfaction e. none of the above Answer: ePages: 124-125Difficulty: HardAACSB: Reflective Thinking

13. Buyers form their expectations from all of the following EXCEPT _____. a. past buying experience b. friends and associates advice c. marketers' information d. competitors' information e. governmental newsletters Answer: ePage: 125Difficulty: EasyAACSB: Analytic Skills

14. A customer's decision to be loyal or to defect is the sum of many small encounters with the company. In order for all these small encounters to add

up to customer loyalty, many companies, such as Joie de Vivre Hospitality, strive to create _____. a. a reward program b. a comprehensive customer database c. a branded customer experience . strong word-of-mouth promotions e. a top-notch advertising campaign Answer: cPage:

125Difficulty: HardAACSB: Reflective Thinking

15. One key to customer retention is _____. It would be wise for a company to measure this factor frequently. a. heavy promotion b. deep discounts for intermediaries c. to have an ethics officer d. customer satisfaction e. to have customers on the board of directors Answer: dPage:

125Difficulty: MediumAACSB: Reflective Thinking

16. _____ can track customer satisfaction directly and also gauge consumers' willingness to recommend the company and brand to others. . Periodic surveys b. Mystery shoppers c. Customer loss rates d. Customer focus statements e. All of the above Answer: aPage: 126Difficulty: Medium

AACSB: Analytic Skills

17. Studies of customer dissatisfaction show that customers are dissatisfied with their purchases about 25% of the time, but only about _____ complain. a. 1% b. 5% c. 10% d. 15% e. 20% Answer: bPage: 128Difficulty:

Hard

18. Of customers who register a complaint, _____. a. the majority will do business with the company again because they are unwilling to dedicate the effort required to find another vendor b. one will do business with the company again c. customers whose complaints are satisfactorily resolved

spread more word of mouth than those who continue to be dissatisfied d. the speed of resolution has no impact on the likelihood of repeat business e. between approximately half and three-quarters will do business with the company again if their complaint is resolved Answer: ePage: 129Difficulty: Hard

19. _____ is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. a. Performance b. Value c. Quality d. Customer retention e. Customer loyalty Answer: cPage: 129Difficulty: EasyAACSB: Analytic Skills

20. Total quality is the key to value creation and customer satisfaction. A marketing manager has several roles to play in a quality-centered company, including _____. a. participating in cross-functional team building b. correctly identifying customers' needs and requirements c. ensuring costs are adequately controlled during order fulfillment d. setting expectations both internally and externally e. working closely with the sales team to create a dynamic sales message Answer: bPage: 130Difficulty: HardAACSB: Analytic Skills

21. The 20-80 rule reflects the idea that _____. a. the top 20% of customers often generate 80% of the company's profits b. the top 20% of customers are highly satisfied and 80% of customers will recommend the company to a friend c. 20% of customers are unprofitable, and 80% make up a company's profits d. 20% of the company's profits are generated by the top 80% of customers e. any new product offering will be accepted by 20% of the customers immediately, but 80% of the customers will be up for grabs

throughout the product's life cycle Answer: aPage: 130Difficulty: HardAACSB: Analytic Skills

22. Most companies have learned that the _____ are often the most profitable because of service expectations and their willingness to pay almost full price. a. large-size customers b. midsize customers c. small-size customers d. niche customers e. target market customers Answer: bPage: 130Difficulty: Medium

23. A(n) _____ customer is a person, household, or company that over time yields a revenue stream that exceeds by an acceptable amount the company's cost stream of attracting, selling, and servicing that customer. a. profitable b. semiprofitable c. unprofitable d. niche e. target Answer: aPages: 130-131Difficulty: EasyAACSB: Analytic Skills

24. Customer profitability analysis (CPA) is best conducted with the tools of an accounting technique called _____. a. input-output analysis b. factor analysis c. revenue-based costing (RBC) d. activity-based costing (ABC) e. future date costing (FDC) Answer: dPage: 131Difficulty: MediumAACSB: Reflective Thinking

25. _____ describes the net present value of the stream of future profits expected over the customer's lifetime purchases. a. Activity-based costing b. Customer profitability analysis c. Customer value analysis d. Customer-perceived value e. Customer lifetime value Answer: ePage: 132Difficulty: Medium AACSB: Analytic Skills

26. The aim of customer relationship management (CRM) is to produce high customer _____. a. value b. loyalty c. profitability d. satisfaction e. equity

Answer: bPage: 133Difficulty: Medium

27. A customer touch point in the airline industry would include an item such as _____. a. reservations b. mechanics' ability to service the airplanes c. ease of access to the airport d. the value of air travel versus surface transportation e. competency of a travel agent Answer: aPage: 133Difficulty:

MediumAACSB: Reflective Thinking

28. Customer relationship management enables companies to provide excellent real-time customer service through the effective use of _____. a. reports from mystery shoppers b. survey data from customers who have defected c. market research into overall consumption trends d. individual account information e. demographic trend data Answer: dPage: 135Difficulty:

HardAACSB: Reflective Thinking

29. All of the following would be among the Peppers and Rogers's four-step framework for one-to-one marketing that can be adapted to CRM marketing EXCEPT _____. a. customizing products, services, and messages to each customer b. interacting with individual customers to learn their needs c. always offering the lowest price d. differentiating customers in terms of their needs and value to the company e. identifying your prospects and customers Answer: cPage: 135Difficulty: HardAACSB: Analytic Skills

Answer: cPage: 135Difficulty: HardAACSB: Analytic Skills

30. Winning companies improve the value of their customer base by excelling at each of the following strategies EXCEPT _____. a. retaining all customers regardless of profitability b. reducing the rate of customer

defection c. increasing the longevity of the customer relationship d. making low-profit customers more profitable or terminating them e. focusing disproportionate efforts on high-value customers Answer: a Page: 136 Difficulty: Medium AACSB: Reflective Thinking

31. Harley-Davidson sells more than motorcycles and accessories. Its dealerships also sell branded clothing and licensed goods. This expansion of dealership sales offerings is an attempt to increase the value of the customer base by _____. a. reducing the rate of customer defection b. increasing the longevity of the customer relationship . enhancing the growth potential of each customer through cross-selling d. making low-profit customers more profitable e. terminating low-profit customers Answer: c Page: 136 Difficulty: Medium AACSB: Reflective Thinking

32. Although actual costs vary from business to business depending on the complexity of the sales process, the most expensive customer acquisition method based on cost per solicitation is _____. a. personal selling b. direct mail c. telemarketing d. banner advertisements e. e-mail Answer: a Page: 137 Difficulty: Medium AACSB: Analytic Skills

33. Another term for high customer _____ is customer churn. a. retention b. defection c. value d. perception e. belief Answer: b Page: 137 Difficulty: Easy AACSB: Analytic Skills

34. People with the motivation, ability, and opportunity to make a purchase are known as _____. a. potentials b. advocates c. members d. prospects e. partners Answer: d Page: 137 Difficulty: Medium AACSB: Analytic Skills

35. Customers who enthusiastically recommend the company and its products and services to others are known as _____. a. potentials b. advocates c. members d. prospects e. partners Answer: bPage: 137Difficulty:

Medium AACSB: Analytic Skills

36. Satisfied customers constitute the company's _____. a. customer relationship capital b. customer churn c. prospects d. high-value customers e. customer touch points Answer: aPage: 138Difficulty: Medium

37. Acquiring new customers can cost _____ times more than satisfying and retaining current customers. a. two b. three c. five d. seven e. 10 Answer: cPage: 138Difficulty: Hard

38. All of the following are methods to form strong customer bonds EXCEPT _____. a. creating superior products, services, and experiences for the target market b. asking it easy for customers to reach the appropriate company personnel and express their needs, perceptions, and complaints c. organizing and making accessible a database of information on individual customer needs, preferences, contacts, purchase frequency, and satisfaction d. running award programs recognizing outstanding employees e. concentrating the planning and management of the customer satisfaction and retention process within the marketing department Answer: ePage: 138Difficulty: HardAACSB: Reflective Thinking

39. When companies provide rewards to customers who buy frequently and in substantial amounts, this is referred to as _____. a. benefit programs b. frequency programs c. satisfaction programs d. loyalty programs e. quality programs Answer: bPage: 139Difficulty: EasyAACSB: Analytic Skills

40. Typically, _____ gains the most benefit from introducing a frequency program. a. the first company to introduce a frequency program in an industry b. the fast follower, who is second to introduce a frequency program in an industry, c. the industry sales leader d. the niche player in the industry e. the low-cost leader in the industry Answer: a Page: 140 Difficulty: Medium AACSB: Reflective Thinking

41. All of the following are CRM imperatives EXCEPT _____. a. acquiring the right customer b. crafting the right value proposition c. instituting the best processes d. motivating employees e. learning to make profits through marginal customers Answer: e Page: 141 Difficulty: Hard AACSB: Analytic Skills

42. CRM technology can help motivate employees by _____. a. analyzing customer revenue and cost data to identify current and future high-value customers b. better targeting the company's direct marketing efforts c. tracking customer-service satisfaction levels d. aligning employee incentives and metrics e. developing new pricing models Answer: d Page: 141 Difficulty: Hard AACSB: Reflective Thinking

43. According to Stanford's business guru Jeffery Pfeffer, " the best companies build cultures in which frontline people _____. " a. can refer serious problems to senior management b. have strictly limited freedom to deviate from standard operating procedures c. are also consumers of the company's products d. are empowered to do what's needed to take care of the customer e. live in the communities they serve Answer: d Page: 142 Difficulty: Medium AACSB: Reflective Thinking

44. An organized collection of comprehensive information about individual customers or prospects that is current, accessible, and actionable for such marketing purposes as lead generation, lead qualification, sale of a product or service, or maintenance of customer relationships is called _____. a. a customer database b. a customer mail list c. target market segments d. customer segments e. relationship markets Answer: a Pages: 142-143 Difficulty: Medium AACSB: Analytic Skills

45. The process of building, maintaining, and using customer databases and other databases for the purpose of contacting, transacting, and building customer relationships is called _____. a. data warehousing b. datamining c. database marketing d. custom marketing e. electronic marketing Answer: c Page: 143 Difficulty: Easy AACSB: Analytic Skills

46. A _____ is simply a set of names, addresses, and telephone numbers. a. customer database b. customer mailing list c. call-waiting list d. psychographic list e. demographic list Answer: b Page: 143 Difficulty: Easy

47. A customer database should contain all of the following EXCEPT _____. a. customer's past purchases b. demographics c. psychographics d. mediagraphics e. an assessment of competitive strengths and weaknesses Answer: e Page: 143 Difficulty: Medium AACSB: Reflective Skills

48. A _____ would contain such items as past volumes, prices, profits, buyer, status of current contacts, and an assessment of competitive strengths and weaknesses. a. customer mailing list b. contact list c. customer database d. business database e. general corporate database Answer: d Page: 143 Difficulty: Easy AACSB: Analytic Skills

49. Savvy companies are capturing information every time a customer comes into contact with any of its departments. As a marketing manager all of the following would be available customer touch points for your consideration EXCEPT _____. a. a customer purchase b. an online query c. a mail-in rebate card d. an ad run on a national television network e. a customer-requested service call Answer: d Page: 143 Difficulty: Medium

50. Using his company's _____ lets a telemarketer respond to customer inquiries more effectively because he or she can see a total picture of the customer relationship. a. data warehouse b. call back list c. call rejection list d. corporate database e. Better Business Bureau contacts Answer: a Page: 143 Difficulty: Medium

51. Through _____, marketing statisticians can extract useful information about individuals, trends, and segments from the mass of data. a. data accumulation b. target market information supplied by the government c. datamining d. data management e. data marketing Answer: c Page: 143 Difficulty: Medium AACSB: Analytic Skills

52. _____ involves the use of sophisticated statistical and mathematical techniques such as cluster analysis, automatic interaction detection, predictive modeling, and neural networking. a. Data management b. Data marketing c. Target market analysis d. Data accumulation e. Datamining Answer: e Page: 143 Difficulty: Medium AACSB: Analytic Skills

53. In general, companies can use their databases in all of the following ways EXCEPT _____. a. to predict competitive strategies and plans b. to identify prospects c. to decide which customers should receive a particular

offer d. to deepen customer loyalty e. to avoid serious customer mistakes

Answer: aPages: 143-145Difficulty: MediumAACSB: Analytic Skills

54. Susan Lefferts' company advertises widely. Ms. Lefferts uses business reply cards attached to her company's magazine ads to build her company's database. In which of the following ways would Ms. Lefferts most likely use the database? a. To deepen customer loyalty b. To reactivate customer purchases c. To avoid serious customer mistakes d. To determine if up-selling is appropriate e. To identify prospects Answer: ePage: 143Difficulty: HardAACSB: Reflective Thinking

55. Phil Langston has just ordered a number of expensive executive gifts that he will be sending as an appreciation token to a select few customers from his client database. In which of the following ways is Mr. Langston most likely using his database? a. To identify prospects b. To decide which customers should receive a new sales offer c. To deepen customer loyalty . To avoid serious customer mistakes e. To beat the competition to a sale Answer: cPage: 145Difficulty: MediumAACSB: Reflective Thinking

56. Royal Caribbean uses its _____ to offer spur-of-the-moment cruise packages to fill all the berths on its ships. It focuses on retired people and single people because they are more able to make quick commitments. a. advertising b. database c. mail catalogs d. public relations department e. radio advertising Answer: bPage: 145Difficulty: Easy

57. Which of the following is considered to be one of the four problems that can deter a firm from using CRM (customer relationship marketing)? . Competitors can often hack into CRM systems. b. Building and maintaining a

customer database requires a large investment. c. It is very difficult to find and train database employees. d. Long-term results of such systems are still unproven. e. Focusing too much on databases separates a company from its customers. Answer: bPage: 145Difficulty: MediumAACSB: Reflective Thinking

58. Building a database would not be worthwhile for a company in all of the following cases EXCEPT _____. a. where the product is a one-in-a-lifetime purchase b. where customers show little loyalty to a brand c. here the company already has an above average relationship with its customers d. where the unit sale is very small e. where the cost of gathering the information is too high Answer: cPages: 145-146Difficulty: Hard

59. All of the following are examples of the perils of CRM EXCEPT _____. a. implementing CRM before creating a customer strategy b. the enormous cost that might eventually drain significant profits from the organization c. rolling out CRM before changing the organization to match d. assuming more CRM technology is better e. stalking, not wooing, customers Answer: bPage: 146Difficulty: Medium

60. Marketers from which of the following are most likely to use database marketing? a. An airline b. A candy bar manufacturer c. A grand piano maker d. A toothpaste manufacturer e. None of the above would use database marketing. Answer: aPage: 146Difficulty: Medium AACSB: Reflective Thinking True/False

61. Managers who believe the customer is the company's only true " profit center" consider the traditional organization chart to be obsolete. Answer: TruePage: 120Difficulty: Easy

62. The modern customer-oriented organization chart places top management at the top of the pyramid as long as they can think like consumers. Answer: FalsePage: 120Difficulty: Medium AACSB: Reflective Thinking

63. There are two determinates of customer-perceived value: total customer benefit and total customer cost. Answer: TruePage: 121Difficulty: Medium AACSB: Analytic Skills

64. Customer-perceived value is the perceived monetary value of all the purchases a customer makes on an annual basis. Answer: FalsePage: 121Difficulty: Medium AACSB: Analytic Skills

65. Consumers tend to be value maximizes—they estimate which offer will deliver the most perceived value and act on it. Answer: TruePage: 121Difficulty: Easy AACSB: Analytic Skills

66. At the heart of a good value delivery system is a set of core business processes that help to deliver distinctive customer value. Answer: TruePage: 123Difficulty: Hard AACSB: Analytic Skills

67. Professional buyers and purchasing agents operate under various constraints and occasionally make choices that give more weight to their personal benefit than to the company's benefit. Answer: TruePage: 123Difficulty: Medium AACSB: Reflective Thinking

68. The value proposition is stated in the price of a product and readily recognized by the average consumer. Answer: FalsePage: 123Difficulty: Medium AACSB: Analytic Skills

69. The value delivery system includes all the experiences the customer will have on the way to obtaining and using the offering. Answer: TruePage: 123Difficulty: Medium AACSB: Analytic Skills

70. For a consumer to be delighted with a product or service he or she must perceive that performance exceeds expectations. Answer: TruePage: 124Difficulty: Easy AACSB: Analytic Skills

71. The ultimate goal of the customer-centered firm is to create high customer satisfaction. Answer: FalsePage: 124Difficulty: Hard AACSB: Reflective Thinking

72. One key to customer retention is customer satisfaction. Answer: TruePage: 125Difficulty: Easy

73. Consumers' expectations result exclusively from past buying experiences. Answer: FalsePage: 125Difficulty: Medium

74. A highly satisfied customer generally stays loyal longer, pays less attention to competing brands, and is less sensitive to price. Answer: TruePage: 125Difficulty: Medium

75. Price perception is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. Answer: FalsePage: 129Difficulty: Medium AACSB: Analytic Skills

76. Conformance quality and performance quality is essentially the same thing in a marketing sense. Answer: FalsePage: 129Difficulty: Medium AACSB: Analytic Skills

77. Two products with very different performance qualities can have the same conformance quality if both products deliver their respective promised quality. Answer: TruePage: 129Difficulty: Hard AACSB: Analytic Skills

78. Marketers have found that pricing plays the most essential role in defining and delivering high-quality goods and services to target customers. Answer: FalsePage: 130Difficulty: Easy AACSB: Reflective Thinking

79. The midsize customers for most organizations receive good service, pay nearly full price for the products and services they purchase, and are often the most profitable. Answer: TruePage: 130Difficulty: Medium AACSB: Reflective Thinking

80. A profitable customer is a person, household, or company that over time yields a revenue stream that exceeds by an acceptable amount the company's cost stream of attracting, selling, and servicing the customer. Answer: TruePages: 130-131Difficulty: Medium AACSB: Analytic Skills

81. The best thing a company can do in the face of company mistakes is to discourage the customer from complaining. Answer: FalsePage: 129Difficulty: Easy AACSB: Reflective Thinking

82. Quality is the key to value creation and customer satisfaction. Answer: TruePage: 130Difficulty: Medium

83. The least profitable 10% to 20% of customers can reduce profits by 50% to 200% per account. Answer: TruePage: 130Difficulty: Medium AACSB: Analytic Skills

84. Most companies measure customer satisfaction and individual customer profitability. Answer: FalsePage: 131Difficulty: Medium

85. Unprofitable customers who defect to a competitor should be encouraged to do so. Answer: TruePage: 131Difficulty: Medium AACSB: Reflective Thinking

86. Customer profitability analysis (CPA) is best conducted with the tools of an accounting technique called activity-based costing (ABC). Answer: TruePage: 131Difficulty: Medium

87. According to customer profitability analysis (CPA), platinum customers spend the most money with the organization, thereby making them valuable. Answer: FalsePage: 131Difficulty: Hard AACSB: Analytic Skills

88. Customer lifetime value (CLV) describes the net present value of the stream of future profits expected over the customer's lifetime purchases. Answer: TruePage: 132Difficulty: Medium AACSB: Analytic Skills

89. A good illustration of a personal touch in the hotel business would be if the hotel employees (e. g. , registration, maid service, et cetera) call a guest by his or her name. Answer: TruePage: 133Difficulty: Easy AACSB: Reflective Thinking

90. A customer touch point is the time when the customer makes a purchase. Answer: FalsePage: 133Difficulty: Medium AACSB: Analytic Skills

91. The aim of customer relationship management is to keep the costs of meeting and tracking consumers as low as possible. Answer: FalsePage: 133Difficulty: Medium AACSB: Reflective Thinking

92. All companies should practice one-to-one marketing. Answer: FalsePage: 135Difficulty: Medium
93. A key driver of shareholder value is the aggregate value of the customer base. Answer: TruePage: 136Difficulty: Medium
94. Customer churn is how rapidly a store can move customers through its checkout facility or process. Answer: FalsePage: 137Difficulty: Medium
95. The average company loses 25% of its customers each year. Answer: FalsePage: 138Difficulty: HardAACSB: Analytic Skills
96. A customer database is simply a listing of a customer's name, address, and phone number for credit reference. Answer: FalsePages: 142-143Difficulty: Easy
97. It's often easier to reattract ex-customers (because the company knows their names and histories) than to find new ones. Answer: TruePage: 142Difficulty: Medium AACSB: Reflective Thinking
98. Cluster analysis is a good example of a statistical technique that might be employed in datamining. Answer: TruePage: 143Difficulty: MediumAACSB: Analytic Skills
99. It always costs less to serve loyal customers than to attract new ones. Answer: FalsePage: 146Difficulty: Medium AACSB: Analytic Skills
100. Database marketing is most frequently used by business marketers and service providers (hotels, banks, airlines, and insurance, credit card, and telephone companies) that normally and easily collect a lot of customer data. Answer: TruePage: 146Difficulty: Medium Essay

101. Compare and contrast the traditional organization chart for an organization against the modern customer-oriented organization chart.

Suggested Answer: For a visual comparison, see Figure 5. 1. With respect to a written description, students should note that the modern customer-oriented organization chart is inverted (see the traditional model [e. g. top management—middle management—frontline people—customers]). Customers are at the top, followed by frontline people, then middle management, and, lastly, top management. Students might also provide some discussion on why the inversion is beneficial. Pages: 120–121 Difficulty: Medium AACSB: Analytic Skills

102. Provide a customer-centered definition of the term quality. Suggested Answer: Quality is the totality of features and characteristics of a product or service that bear on the ability to satisfy stated or implied needs. This is clearly a customer-centered definition. Page: 129 Difficulty: Easy AACSB: Reflective Thinking

103. Differentiate between performance quality and conformance quality. Give an example of two products that have different performance quality but are of equal conformance quality. Suggested Answer: Performance quality is the quality of the product's attributes. Conformance quality is the extent to which the product delivers the performance quality promised to consumers. A Lexus provides higher performance quality than a Hyundai: The Lexus rides smoother, goes faster, and lasts longer. Yet both would deliver the same conformance quality if both delivered their respective promised quality. Page: 129 Difficulty: Hard AACSB: Analytic Skills

104. The case for maximizing long-term customer profitability is captured in the concept of customer lifetime value. How is customer lifetime value calculated? Suggested Answer: Customer lifetime value describes the net present value of the stream of future profits expected over the customer's lifetime purchases. The company must subtract from its expected revenues the expected costs of attracting, selling, and servicing the account for that customer, applying the appropriate discount rate (depending on cost of capital and risk attitudes). Page: 132 Difficulty: Hard AACSB: Analytic Skills

105. Peppers and Rogers outline a four-step framework for one-to-one marketing that can be adapted to CRM marketing. What are those four steps? Suggested Answer: The four steps are: (1) Identify your prospects and customers; (2) differentiate customers in terms of their needs and their value to your company; (3) interact with individual customers to improve your knowledge about their individual needs and to build stronger relationships; and (4) customize products, services, and messages to each customer. Page: 135 Difficulty: Hard AACSB: Analytic Skills

106. A key driver of shareholder value is the aggregate value of the customer base. Identify the five strategies employed by winning companies to improve the value of their customer base. Suggested Answer: Winning companies improve the value of their customer base by excelling at the following five strategies: (1) reducing the rate of customer defection; (2) increasing the longevity of the customer relationship; (3) enhancing the growth potential of each customer through "share-of-wallet," cross-selling, and up-selling; (4) making low-profit customers more profitable or

terminating them; and (5) focusing disproportionate effort on high-value customers. Page: 136 Difficulty: Hard AACSB: Reflective Thinking

107. Today, companies are increasingly concerned about customer defection. There are three main steps a company can take to reduce the defection rate. Characterize those three steps. Suggested Answer: The three steps are: (1) The company must define and measure its retention rate; (2) the company must distinguish the causes of customer attrition and identify those that can be managed better; and (3) the company must compare the lost profit equal to the customer lifetime value from a lost customer to the costs to reduce the defection rate. Page: 137 Difficulty: Hard AACSB: Analytic Skills

108. Discuss the concepts of a data warehouse and datamining. Suggested Answer: Data are collected by the company's contact center and organized into a data warehouse. Company personnel can capture, query, and analyze the data. Inferences can be drawn about an individual customer's needs and responses. Through datamining, marketing statisticians can extract useful information about individuals, trends, and segments from the mass of data. Datamining involves the use of sophisticated statistical and mathematical techniques. Page: 143 Difficulty: Medium AACSB: Analytic Skills

109. Assume that a marketing manager of a small company is in the process of implementing the use of a database to assist his or her company in its marketing efforts. Considering the information found in the text, list five ways that the marketing manager might be able to use the database for marketing efforts. Suggested Answer: Five ways to use a database for

marketing efforts include: (1) to identify prospects; (2) to decide which customers should receive a particular offer; (3) to deepen customer loyalty; (4) to reactivate customer purchases; and (5) to avoid serious customer mistakes. Pages: 143--145 Difficulty: Medium AACSB: Reflective Thinking

110. Describe four situations or cases when building a customer database would not be worthwhile for a company. Suggested Answer: Four situations or cases when building a customer database would not be worthwhile for a company would be: (1) where the product is a once-in-a-lifetime purchase; (2) where customers show little loyalty to a brand; (3) where the unit sale is very small; and (4) where the cost of gathering information is too high. Pages: 145-146 Difficulty: Medium AACSB: Reflective Thinking

APPLICATION QUESTIONS Multiple Choice

111. John Chambers, CEO of Cisco Systems, said, " Make your customer the center of your culture. " Customer-centered companies are adept at building customer relationships, not just producing products; they are skilled in _____, not just product engineering. a. service engineering b. market engineering c. cultural engineering d. innovation engineering e. management engineering Answer: b Page: 119 Difficulty: Medium

112. Immediately below the customers in a modern customer-oriented organization chart, we would expect to find the _____ of an organization. . top management b. marketing department c. middle management d. frontline people e. service department Answer: d Page: 121 Difficulty: Easy AACSB: Analytic Skills

113. All of the following are considered to be customer costs EXCEPT _____. a. financial cost of acquiring the product b. financial cost of disposing of the product c. time spent acquiring the product d. the risk of social stigma associated with acquiring the product e. All of the above are considered to be customer costs. Answer: ePage: 121Difficulty: Medium AACSB: Reflective Thinking

114. When a consumer considers a product or service, he or she will choose whichever product or service delivers the highest _____. a. customer-perceived value b. customer-perceived cost c. consumer discount d. consumer relationship e. consumer synergy Answer: aPage: 121Difficulty: Medium AACSB: Analytic Skills

115. Buyers do not always make logical or rational decisions. They might purchase the most expensive and least quality item for example. Which of the following would be another good example of this behavior? a. The buyer is not seen by the seller as being very intelligent. b. The buyer might be under orders to buy at the lowest price. . The buyer might be underage. d. The buyer might be under pressure to resist sales messages. e. The buyer refuses to listen to or read any advertising. Answer: bPage: 123Difficulty: Medium AACSB: Reflective Thinking

116. If a company were to focus its marketing efforts on all the experiences the customer will have on the way to obtaining and using the offering, it would be focusing its marketing efforts on the customer's _____. a. perception system b. cost versus benefit system c. demand d. psychological

system e. value delivery system Answer: ePage: 123Difficulty: Medium
AACSB: Analytic Skills

117. _____ is defined as “ a deeply held commitment to rebuy or repatronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior. ” a. Customer satisfaction b. Customer value c. Loyalty d. Customer profitability e. Quality Answer: cPage: 123Difficulty: Medium
AACSB: Analytic Skills

118. Whether the buyer is satisfied after purchase depends on the offer’s performance in relation to the _____. a. buyer’s reactions b. buyer’s expectations c. seller’s delivery d. seller’s expectations e. both the buyer’s and seller’s demands Answer: bPage: 124Difficulty: Medium AACSB: Analytic Skills

119. Buyers form expectations in all of the following ways EXCEPT _____. a. from past buying experience b. from friends’ and associates’ advice c. from marketers’ information d. from competitors’ information e. from inherited traits Answer: ePage: 125Difficulty: Easy AACSB: Analytic Skills

120. Field Grocery is considering using _____ to pose as customers and report on strong and weak points in customer service at Field Grocery stores. a. intelligence agents b. covert operatives c. mystery shoppers d. market mavens e. opinion leaders Answer: cPage: 126Difficulty: Easy

121. 3M makes it easy for dialog to occur with its customers. 3M claims that over two-thirds of its product-improvement ideas come from listening to

_____. a. customer suggestions b. entrepreneurial product ideas c. customer complaints d. media feedback e. customer reactions to competitive products Answer: c Page: 129 Difficulty: Medium AACSB: Analytic Skills

122. According to GE's former chairman, John F. Welch Jr. , " _____ is our best assurance of customer allegiance, our strongest defense against foreign competition, and the only path to sustained growth and earnings. " a. Quality b. Customer satisfaction c. True value d. Sustainable enterprise e. Motivation Answer: a Page: 129 Difficulty: Hard AACSB: Analytic Skills

123. With respect to customer profitability analysis, _____ customers are the most likely dropped as customers because of poor profitability. a. granite b. wood c. iron d. plastic e. lead Answer: e Page: 131 Difficulty: Medium

124. Jim is a residential construction contractor. Although one particular realtor provides Jim with a large volume of work, the realtor frequently demands discounts for sending him customers. This realtor is best described as a(n) _____ customer. a. latinum b. gold c. lead d. iron e. ivory Answer: d Page: 131 Difficulty: Medium AACSB: Reflective Thinking

125. Harrah's has used effective _____ to almost double its share of customers' gaming budgets by targeting offers to specific customer segments. a. customer relationship management b. customer lifetime value c. customer profitability analysis d. customer satisfaction analysis e. customer-value delivery Answer: a Page: 135 Difficulty: Medium AACSB: Analytic Skills

126. Many banks and phone companies now charge fees for once-free services to ensure minimum customer revenue levels. This is an example of _____. . reducing the rate of customer defection b. making low-profit customers more profitable c. enhancing the growth potential for each customer through cross-selling d. increasing the longevity of the customer relationship e. focusing disproportionate effort on high-value customers

Answer: bPage: 136Difficulty: Medium AACSB: Reflective Thinking

127. When Bob found out his friend was thinking about buying a new car, he strongly recommended that his friend look into the newest line of Ford sedans. Bob is best characterized as a(n) _____ for Ford. a. first-time customer b. member c. partner d. advocate e. respect

Answer: dPage: 137Difficulty: Medium AACSB: Reflective Thinking

128. Carol is currently considering buying a Motorola cell phone offered by her service provider in conjunction with a two-year service contract. Carol is best characterized as a(n) _____ for Motorola. a. first-time customer b. member c. partner d. advocate e. prospect

Answer: ePage: 137Difficulty: Medium AACSB: Reflective Thinking

129. Southwest Airlines offers a Rapid Rewards program, an example of a _____ that allows customers to count flights they have taken toward free future flights. a. value proposition b. value delivery system c. lub membership program d. one-to-one marketing program e. customer churn

Answer: cPage: 140Difficulty: Easy AACSB: Analytic Skills

130. The skillful use of database marketing and _____ has made catalog house Fingerhut one of the nation's largest direct-mail marketers. a.

everyday low prices b. expanded home delivery options c. relationship building d. competitor's mistakes e. retailer alliances Answer: cPage: 145Difficulty: Hard AACSB: Analytic Skills Short Answer

131. What do modern managers believe is their company's only true "profit center"? Suggested Answer: Managers believe the customer is their only true profit center. Page: 120Difficulty: Easy AACSB: Analytic Skills

132. Customer-perceived value is based on two components. What are those components? Suggested Answer: The two components of customer-perceived value are total customer value and total customer cost. Page: 121Difficulty: Medium AACSB: Analytic Skills

133. What is the definition for customer-perceived value (CPV)? Suggested Answer: Customer-perceived value (CPV) is the difference between prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives. Page: 121Difficulty: Medium AACSB: Analytic Skills

134. Using European automobile giant Volvo as your illustration, create a value proposition for the company. Suggested Answer: Students may have several answers; however, any value proposition must be built on their stated positioning objective of "safety." Other benefits that might be worked into a value proposition could be a long-lasting car, good service, and a long warranty period. Basically, the value proposition is a statement about the total experience customers will gain from the company's market offering and from their relationship with the supplier. Page: 123Difficulty: Medium AACSB: Reflective Thinking

135. How do customers determine their level of satisfaction with a product?

Suggested Answer: In general, satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance to the customer's expectations. Page: 124 Difficulty: Easy AACSB: Reflective Thinking

136. Give an example of a "branded customer experience." Suggested

Answer: Students may have several answers. One example from the book is that of Joie de Vivre Hospitality Inc, which operates a chain of boutique hotels, restaurants, and resorts in the San Francisco area. The boutique concept enables hotels to offer personal touches, such as vitamins in place of chocolates on pillows. Page: 125 Difficulty: Hard AACSB: Reflective Thinking

137. Companies need to be especially concerned today with their customer

satisfaction level. Why? Suggested Answer: Companies need to be especially concerned today with their customer satisfaction level because the Internet provides a tool for consumers to quickly spread bad word of mouth to the rest of the world. Page: 126 Difficulty: Easy AACSB: Reflective Thinking

138. Identify three ways companies with customer complaints can recover

customer goodwill. Suggested Answer: Five methods are identified in the text. Students should present three of the following: (1) Set up a 24/7 toll-free "hotline" to receive and act on customer complaints; (2) contact the complaining customer as quickly as possible; (3) accept responsibility for the customer's disappointment; (4) use customer-service people who are

empathic; and (5) resolve the complaint swiftly and to the customer's satisfaction. Page: 129 Difficulty: Medium AACSB: Analytic Skills

139. Define the term quality. Suggested Answer: Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. Page: 129 Difficulty: Easy AACSB: Analytic Skills

140. What are the three ways that customer profitability can be assessed? Suggested Answer: Customer profitability can be assessed individually, by market segment, or by channel. Page: 131 Difficulty: Medium AACSB: Analytic Skills

141. What are the four classifications (tiers) of customers in customer profitability analysis using activity-based costing? Suggested Answer: The tiers would be platinum customers (most profitable), gold customers (profitable), iron customers (low profitability but desirable), and lead customers (unprofitable and undesirable). Page: 131 Difficulty: Hard AACSB: Analytic Skills

142. What is a customer touch point? Suggested Answer: A customer touch point is any occasion on which a customer encounters the brand and product—from actual experience to personal or mass communications to casual observation. Page: 133 Difficulty: Medium AACSB: Analytic Skills

143. One-to-one marketing is not for every company. For whom does this style of marketing work best? Suggested Answer: One-to-one marketing works best for companies that normally collect a great deal of individual

customer information, carry a lot of products that can be cross-sold, carry products that need periodic replacement or upgrading, and sell products of high value. Page: 135 Difficulty: Hard AACSB: Reflective Thinking

144. A 5% reduction in the customer defection rate can increase profits by 25% to 85%, depending on the industry. Explain how this is so. Suggested Answer: Acquiring new customers can cost five times more than satisfying existing customers. Customer profit rate also tends to increase over the life of the retained customer due to increased purchases, referrals, and price premiums and reduced operating costs to service. Page: 138 Difficulty: Medium AACSB: Reflective Thinking

145. Explain how a company frequency program might work. Suggested Answer: Frequency programs are designed to provide rewards to customers who buy frequently and in substantial amounts. Frequency programs acknowledge the validity of the 20-80 rule. Page: 139 Difficulty: Medium AACSB: Analytic Skills

146. Describe the process of database marketing. Suggested Answer: Database marketing is the process of building, maintaining, and using customer databases and other databases (products, suppliers, resellers) for the purpose of contacting, transacting, and building customer relationships. Page: 143 Difficulty: Medium AACSB: Analytic Skills

147. How do companies use their databases to identify prospects?

Suggested Answer: Many companies generate sales leads by advertising their product or service. The ads generally contain a response feature, such

as a business reply card or a toll-free phone number, and the company builds its database from customer responses. It sorts through the database to identify the best prospects, then contacts them by mail, phone, or personal call to convert them into customers. Page: 143 Difficulty: Medium AACSB: Reflective Thinking

148. Give an illustration of how a company can use a customer database to reactivate customer purchases. Suggested Answer: Companies can install automatic mailing programs that send out birthday or anniversary cards, Christmas shopping reminders, or off-season promotions. Other illustrations by students should be in a similar vein. Page: 145 Difficulty: Medium AACSB: Reflective Thinking

149. One of the main problems that can prevent a firm from effectively using CRM is that some of the assumptions behind CRM may not always hold true. Give an example of one of these assumptions that might not always hold true. Suggested Answer: It may not actually cost less to serve more loyal customers. Page: 146 Difficulty: Medium AACSB: Analytic Skills

150. According to information provided in the text, what are the four main perils of CRM? Suggested Answer: The four main perils are: (1) implementing CRM before creating a customer strategy; (2) rolling out CRM before changing the organization to match; (3) assuming more CRM technology is better; and (4) stalking, not wooing, customers. Page: 146 Difficulty: Hard AACSB: Analytic Skills