

# [Managing profitable customer relationship](https://assignbuster.com/managing-profitable-customer-relationship/)

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Chapter 1 Marketing: Managing Profitable Customer Relationships

GENERAL CONTENT: Multiple-Choice Questions

1. Central to any definition of marketing is \_\_\_\_\_. a. demand management b. transactions c. customer relationships d. making a sale e. making a profit (Answer: c; p. 5; Easy)

2. All of the following are accurate descriptions of modern marketing today, except which one? a. Marketing is creation of value for customers. b. Marketing is customer satisfaction at a profit. c. Selling and advertising are synonymous with marketing. d. Marketing involves building and managing profitable customer relationships. e. None of the above statements is true. (Answer: c; p. 5; Easy)

3. Like NASCAR, successful companies recognize a crucial dimension of an outstanding marketing company to be \_\_\_\_\_. a. a strong customer focus b. a relentless pursuit of customer needs c. customer relationships built by everyone in the organization d. all of the above e. none of the above (Answer: d; p. 5; Moderate)

4. \_\_\_\_\_ is defined as a social and managerial process by which individuals and organizations obtain what they need and want through value creation. a. Selling b. Advertising c. Barter d. Marketing e. None of the above is correct. Answer: d; p. 5; Challenging)

5. Society andcultureshape the basic form of human needs called \_\_\_\_\_. a. needs b. wants c. demands d. value e. an exchange (Answer: b; p. 6; Moderate)

6. When backed by buying power, wants become \_\_\_\_\_. a. social needs b. demands c. physical needs d. self-esteem needs e. exchanges (Answer: b; p. 6; Easy)

7. The fundamental reason America’s most admired firms, including Southwest Airlines and Harley-Davidson, conduct extensive research is to \_\_\_\_\_. a. maximize profits b. increase market share c. increase sales d. understand customers’ needs, wants, and demands e. undermine competitors Answer: d; p. 6; Moderate)

8. \_\_\_\_\_ refers to sellers being preoccupied with their own products and losing sight of underlying consumer needs. a. Selling myopia b. Marketing c. Selling d. Marketing myopia e. Share of customer (Answer: d; p. 7; Moderate)

9. American brand icons, including Harley-Davidson, Coca-Cola, and Nike, create deep brand meanings for consumers and do not suffer from \_\_\_\_\_. a. short-term losses b. long-term losses c. competitive threats d. marketing myopia e. planning problems (Answer: d; p. 7; Moderate)

10. \_\_\_\_\_ are key building blocks for developing and managing customer relationships. a.

Consumer expectations and customer satisfaction b. Customer choices and product offers c. Product performance and customer value d. Customer value and customer satisfaction e. Strategic plans (Answer: d; p. 8; Challenging)

11. NASCAR’s primary obsession is to deliver a special \_\_\_\_\_ to every customer. a. assortment of products b. book store c. experience d. set of recommendations e. car (Answer: c; p. 7; Moderate)

12. All of the following phrases reflect the marketing concept, except which one? a. We don’t have a Marketing Department, we have a Customer Department. b. We make it happen for you. c. We stay close to customers. d. Putting profits ahead of customer needs is critical to thehealthof the firm. e. Customers are important. (Answer: d; p. 11; Easy)

13. An example of a(n) \_\_\_\_\_ is when a customer pays Circuit City $250 and receives a television set in return. a. exchange b. transaction c. market d. segment e. scam (Answer: b; p. 9; Easy)

14. \_\_\_\_\_ is the set of actual and potential buyers of a product. a. A market b. An audience c. A group d. A segment e. An exchange (Answer: a; p. 8; Moderate)

15. Which of the following phrases reflects the marketing concept? a. The supplier is king. b. Marketing should be viewed as hunting and not gardening. . This is what I make, won’t you please buy it? d. This is what I want, won’t you please make it? e. None of the above. (Answer: d; p. 11; Challenging)

16. The art andscienceof choosing target markets and building profitable relationships with them is called \_\_\_\_\_. a. marketing management b. positioning c. segmentation d. selling e. managing the marketing effort (Answer: a; p. 9; Moderate)

17. \_\_\_\_\_ is(are) the set of benefits a company promises to deliver its consumers to satisfy their needs. a. Amoney-back guarantee b. Low prices c. Good customer service d. A value proposition e. An attribute (Answer: d; p. 9; Moderate)

18. All of the following phrases reflect a firm’s value proposition, except which one? a. Altoids is positioned as “ the curiously strong mint. ” b. Porsche promises driving performance and excitement. c. Cheer laundry detergent promises powerful cleaning at all temperatures. d. All of the above are correct. e. None of the above is correct. (Answer: d; p. 9; Moderate)

19. The \_\_\_\_\_ is a usefulphilosophyin situations when the product’s cost is too high and marketers look for ways to bring it down. a. selling concept b. product concept c. production concept d. marketing concept e. A and D (Answer: c; p. 10; Challenging)

20. Henry Ford’s philosophy was to perfect the Model-T so that its cost could be reduced further for increased consumer affordability. This reflects the \_\_\_\_\_. a. product concept b. marketing concept c. marketing mix d. production concept e. selling concept (Answer: d; p. 10; Moderate)

21. To avoid traffic gridlock in large metro areas, \_\_\_\_\_ is undertaken to encourage commuters to carpool and use mass transit. a. target marketing b. market segmentation c. demarketing d. marketing e. the production concept (Answer: c; p. 9; Challenging)

22. Selecting which segments to serve is called \_\_\_\_\_. a. market segmentation b. positioning c. customization . target marketing e. managing the marketing effort (Answer: d; p. 9; Moderate)

23. When Wal-Mart profitably targets buyers who value savings, it is an example of \_\_\_\_\_. a. convenience b. value pricing c. market segmentation d. target marketing e. value packing (Answer: d; p. 9; Easy)

24. All of the following phrases reflect the definition of target marketing, except which one? a. Disney targets persons in all stages of the life cycle. b. Porsche profitably targets affluent professionals. c. Dollar Stores profitably target families with modest means. d. The Book of the Month Club customizes offers based on a member’s previous selections. . Charlie Cheese Pizza Factory targets children. (Answer: a; p. 9; Moderate)

25. “ Build a better mousetrap and the world will beat a path to your door” reflects the \_\_\_\_\_. a. production concept b. marketing concept c. selling concept d. product concept e. target marketing (Answer: d; p. 10; Challenging)

26. Which operating philosophy is practiced by the American Red Cross to solicit blood donations? a. The marketing concept. b. The product concept. c. The production concept. d. The selling concept. e. None of the above. (Answer: d; p. 10; Challenging)

27. Firms follow the \_\_\_\_\_ when they face overcapacity. a. product concept b. elling concept c. production concept d. marketing concept e. A and C (Answer: b; p. 10; Challenging)

28. Railroads were once operated based on the thinking that users wanted trains rather than transportation, overlooking the challenge of other modes of transportation. This reflects the \_\_\_\_\_. a. product concept b. production concept c. selling concept d. marketing concept e. none of the above (Answer: a; p. 10; Moderate)

29. According to the authors of your text, \_\_\_\_\_ is viewed not as “ hunting,” but as “ gardening. ” That is, a firm has to find the right products for its customers. a. selling b. production c. marketing d. retailing e. dvertising (Answer: c; p. 11; Moderate)

30. The \_\_\_\_\_ starts with the factory, focusing on the company’s existing products; it calls for heavy selling and promotion to obtain profitable sales. a. marketing concept b. production concept c. product concept d. selling concept e. company advertising (Answer: d; p. 10; Moderate)

31. According to the authors of your text, fast-foodrestaurants offer tasty and convenient food at affordable prices; they contribute to a nationalobesityepidemic that harms consumer health and causes environmental problems in the long run. This statement reflects that they often overlook the \_\_\_\_\_ business philosophy. . marketing concept b. product concept c. production concept d. societal marketing concept e. new-idea (Answer: d; p. 11; Moderate)

32. The set of marketing tools a firm uses to implement its marketing strategy is called the \_\_\_\_\_. a. promotion mix b. product mix c. marketing mix d. TQM e. marketing effort (Answer: c; p. 13; Moderate)

33. \_\_\_\_\_ is defined as the customer’s evaluation of the difference between all the benefits and all the costs of a marketing offer relative to those of competing offers. a. Customer relationship management b. Customer satisfaction c. TQM d. Customer perceived value e. Marketing myopia (Answer: d; p. 4; Easy)

34. Building, keeping, and growing profitable value-laden relationships with all customers of a company is called \_\_\_\_\_. a. customer lifetime value b. customer perceived value c. customer relationship management d. database marketing e. societal marketing (Answer: c; p. 14; Easy)

35. Delivering superior customer value and customer satisfaction are the two keys to building lasting \_\_\_\_\_. a. customer satisfaction b. customer databases c. market share d. customer relationships e. profits (Answer: d; p. 14; Moderate)

36. All of the statements below reflect the definition of customer-perceived value, except which one? . Alex brought home his Lexus for $45, 000; he luxuriated in the handling and smell of the leather interior. b. FedEx offers reliable package delivery at a reasonable price. c. The benefits of undergraduate tuition at state schools are judged to be reasonable and fair in comparison to competing private schools. d. The benefits of diet soft drinks are judged to be reasonable and fair in comparison to other types of soft drinks. e. All of the above are correct. (Answer: e; p. 14; Moderate)

37. FedEx offers its customers fast and reliable package delivery. When FedEx customers weigh these aforementioned benefits against the monetary and psychic costs of using the service, they are acting upon \_\_\_\_\_. a. loyaltyb. relationship marketing c. perceived customer value d. social relationships e. a societal marketing campaign (Answer: c; p. 14; Challenging)

38. Airlines offer frequent flier marketing programs to build value and satisfaction into the customer relationship. Using this approach, airlines add \_\_\_\_\_ to the customer relationship. a. social benefits b. structural benefits c. financial benefits d. excitement e. add-ons (Answer: c; p. 15; Challenging)

39. Many banks are leading the way in using customer profitability analysis to weed out losing customers and target winning ones for pampering. This is called \_\_\_\_\_. a. customer relationship management b. positioning c. database marketing d. selective relationship management e. prospecting (Answer: d; p. 16; Challenging)

40. Through \_\_\_\_\_, many companies today are strengthening their connections to partners all along the channel, from raw materials to components to final products that are carried to final buyers. a. supply chain management b. direct marketing c. partnership relationship marketing d. customized marketing e. deviated marketing Answer: a; p. 19; Easy)

41. Pooling resources with other firms in order to succeed beyond managing the supply chain illustrates the \_\_\_\_\_ partnership. a. management contracting b. licensing c. supply chain management d. strategic alliance e. exporting (Answer: d; p. 19; Challenging)

42. Stew Leonard, owner/operator of supermarkets, reacts adversely to losing a single customer sale. He feels that this amounts to losing the entire stream of future purchases that a customer is likely to make if he/she remains in the area. This is an illustration of \_\_\_\_\_. a. share of customer b. market share c. profitability d. customer lifetime value . market share maintenance (Answer: d; p. 20; Challenging)

43. Amazon. com leverages relationships with its 35 million customers by offering themmusic, videos, gifts, toys, consumer electronics, and office products, among other product items. Based on previous purchase history, the company recommends related CDs, books, or videos that might be of interest. This helps Amazon. com capture a greater \_\_\_\_\_. a. market share b. customer lifetime value c. share of customer d. profitability e. customer base (Answer: c; p. 21; Challenging)

44. \_\_\_\_\_ is the total combined customer lifetime values of all the company’s customers. . Share of customer b. Customer lifetime value c. Customer equity d. Profitability e. Share of market (Answer: c; p. 21; Challenging)

45. Current sales and market share reflect a firm’s past performance while \_\_\_\_\_ reflects the future. a. customer lifetime value b. share of customer c. profitability d. customer equity e. growth rate (Answer: d; p. 21; Moderate)

46. Banks classify customers into one of four relationship groups, according to their potential profitability and projected loyalty. JPMorgan Chase Bank wishes to examine its database and identify customers who are profitable but not loyal. According to the authors of the text, it plans to use promotional blitzes to attract the group called \_\_\_\_\_. a. barnacles b. true friends c. strangers d. butterflies e. fools (Answer: d; p. 23; Challenging)

47. The ultimate aim of customer relationship management is to produce \_\_\_\_\_. a. customer equity b. market share c. sales volume d. a reliable database e. profits (Answer: a; p. 21; Moderate)

48. Which of the following statements about how the Internet is impacting lives everywhere is most accurate? a. Companies are cautiously using the Internet to build closer relationships with customers and marketing partners alike. . The Internet is still in its infancy with few consumers buying products/services online. c. The Internet allows anytime, anywhere connections to information, entertainment, andcommunication. d. If consumer e-commerce looks promising, business-to-business e-commerce is just plain declining. e. A and B (Answer: c; p. 26; Easy)

49. The rapid pace of \_\_\_\_\_ has allowed companies to greatly expand their geographical market coverage, purchasing, and manufacturing. a. technologyb. change c. travel d. globalizatione. none of the above (Answer: d; p. 26; Moderate)

50. Perhaps the most dramatic new technology today is \_\_\_\_\_. a. Microsoft Windows XP b. AOL c. the Internet d. all of the above e. none of the above (Answer: c; p. 26; Easy)

51. Ben & Jerry’s challenges all stakeholders, including employees, top management, and even ice cream scoopers in their stores, to include concern for individual and community welfare in their day-to-day decisions. Actions by companies to do well by doing good reflects \_\_\_\_\_. a. ethics b. socialresponsibilityc. profit marketing d. marketing e. myopia (Answer: b; p. 28; Moderate)

52. When a church targets different demographic groups to increase attendance, it is an example of \_\_\_\_\_. a. for-profit marketing b. ot-for-profit marketing c. mindless marketing d. ethics in marketing e. societal marketing (Answer: b; p. 28; Moderate)

53. The goal of customer relationship management is to produce \_\_\_\_\_. a. revenues b. profits c. customer equity d. a database of customers e. all of the above (Answer: c; p. 21; Moderate)

54. To create customer value and build strong customer relationships, marketers know they cannot go it alone. Hence, in order to succeed in the long run, they practice \_\_\_\_\_. a. partner relationship management b. database marketing c. designing attractive websites d. customer equity e. all of the above (Answer: a; p. 19; Challenging)

55. The success of a firm hinges upon the performance of the entire \_\_\_\_\_. a. marketing department’s effort b. supply chain c. product mix offerings d. organizational structure e. industry (Answer: b; p. 19; Moderate)

56. The authors of your text classify customers into one of four relationship groups, according to their profitability and projected loyalty. \_\_\_\_\_ characterize the group with the highest profit potential and strong loyalty. a. Barnacles b. Strangers c. Butterflies d. True believers e. Best friends (Answer: d; p. 23; Easy)

57. \_\_\_\_\_ is the act of obtaining a desired object from someone by offering something in return. . A transaction b. Exchanging c. Bribing d. Valuing e. Donating (Answer: b; p. 8; Easy)

58. In the case of excess demand, \_\_\_\_\_ may be required to reduce the number of customers or to shift demand temporarily or permanently. a. marketing b. demarketing c. value marketing d. surplusing e. all of the above (Answer: b; p. 9; Easy)

59. The \_\_\_\_\_ concept holds that achieving organizationalgoalsdepends on knowing the needs and wants of target markets and delivering the desired satisfaction better than competitors do. a. product b. production c. selling d. equity e. marketing (Answer: e; p. 11; Easy)

60. The \_\_\_\_\_ concept holds that firms must strive to deliver value to customers in a way that maintains or improves both the consumer’s and society’s well being. a. marketing b. selling c. product d. societal marketing e. equity (Answer: d; p. 11; Easy)

61. The \_\_\_\_\_ of a Taco Bell customer exceeds $12, 000. a. market share b. CRM c. customer lifetime value d. share of stomach e. salary (Answer: c; p. 21; Moderate)

62. For which of the following reasons are marketers everywhere using the Internet? a. To build closer relationships. b. To access new marketspaces. c. To attract new customers. d. To show off their technological skills. . A, B, and C (Answer: e; p. 26; Easy)

63. You have learned at work that today’s successful companies at all levels have one thing in common: they are strongly customer focused and heavily committed to \_\_\_\_\_. a. obtaining the best CEOs b. increasing wealth to stockholders c. marketing d. employeemotivatione. earning profits (Answer: c; p. 5; Moderate)

64. The twofold goal of marketing is to attract new customers by promising superior value and to \_\_\_\_\_. a. keep and grow current customers by delivering satisfaction b. keep and grow current customers by delivering competitive pricing c. eep and grow current customers by delivering friendly service d. keep and grow current customers by delivering vast product assortment e. all of the above (Answer: a; p. 5; Moderate)

65. You have learned from experience as well as from this course that the most basic concept underlying marketing is that of \_\_\_\_\_. a. selling and advertising b. customer satisfaction c. retaining customers d. human needs e. fulfilling consumer wants (Answer: d; p. 6; Easy)

66. As a new assistant marketing manager trainee, you learn in an orientation meeting that \_\_\_\_\_ are the form human needs take as they are shaped by culture and individualpersonality. . wants b. demands c. self-concepts d. desires e. icons (Answer: a; p. 6; Easy)

67. What do companies call a set of benefits that they promise to consumers to satisfy their needs? a. marketing offer b. value proposition c. demand satisfaction d. need proposition e. evoked set (Answer: b; p. 9; Moderate)

68. Most firms practice the selling concept when they face \_\_\_\_\_. a. a crisis b. a recession c. fierce competition d. overcapacity e. marketing myopia (Answer: d; p. 10; Moderate)

69. Herb Kelleher of Southwest Airlines used the marketing concept in his successful organization.

His perspective of having a customer department uses a(n) \_\_\_\_\_ perspective. a. outside-in b. external c. inside-out d. modern e. traditional (Answer: a; p. 11; Challenging)

70. Customer-driven marketing usually works well when \_\_\_\_\_ and when customers \_\_\_\_\_. a. a clear need exists; are easy to identify b. customers know what they want; can afford it c. a firm can deliver the goods desired; are thoroughly researched d. a clear need exists; know what they want e. a want exists; cannot afford it (Answer: d; p. 11; Challenging)

71. The societal marketing concept seeks to establish a balance between consumer short-run wants and consumer \_\_\_\_\_. . short-run costs and profits b. short-run ethics c. long-run welfare d. health e. value propositions (Answer: c; p. 12; Moderate)

72. \_\_\_\_\_ is an important concept when we realize that losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage. a. Heuristics b. Net profit c. Customer lifetime value d. Relationship marketing e. Market share (Answer: c; p. 20; Moderate)

73. Customers buy from stores and firms that offer the highest \_\_\_\_\_. a. value for the dollar b. customer perceived value c. level of customer satisfaction . company image e. A and C (Answer: b; p. 14; Challenging)

74. Is the following statement true? Clearly, the more loyal the firm’s customers, the higher the firm’s customer equity. a. No. b. Yes. c. Maybe. d. Cannot tell accurately. e. Only if the value proposition is understood. (Answer: b; p. 21; Easy)

75. Many not-for-profit organizations are facing huge operating deficits that they must cover by more aggressive \_\_\_\_\_. a. volunteer service b. customer service c. advertising d. donor marketing e. social marketing campaigns (Answer: d; p. 29; Moderate) True/False

76. Selling is managing profitable customer relationships. Answer: False; p. 5; Moderate)

77. Product, price, place, and promotion make up the elements of a firm’s marketing mix. (Answer: True; p. 13; Easy)

78. The twofold goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering satisfaction. (Answer: True; p. 5; Challenging)

79. Human needs are shaped by culture and individual personality. (Answer: False; p. 6; Moderate)

80. When backed by buying power, wants become demands. (Answer: True; p. 6; Moderate)

81. When backed by buying power, needs become demands. (Answer: False; p. 6; Moderate)

82. Marketing offers are limited to physical products. (Answer: False; p. 7; Moderate)

83. Marketing offers include products, services, information, or experiences offered to a market to satisfy a need or want. (Answer: False; p. 7; Moderate)

84. When sellers focus on existing needs and lose sight of underlying customer wants, they suffer from marketing myopia. (Answer: False; p. 7; Challenging)

85. An exchange is the core concept of marketing, whereas a transaction is marketing’s unit of measurement. (Answer: True; p. 8; Moderate)

86. Marketers of products, services, and ideas only practice marketing, whereas buyers do not. Answer: False; p. 8; Moderate)

87. Who is our target market and what’s our value proposition are two important questions underlying marketing strategy. (Answer: True; p. 9; Moderate)

88. Market segmentation is the process of seeking fewer customers and reduced demand for profit maximization only. (Answer: False; p. 9; Challenging)

89. Demarketing is a marketing philosophy focused upon product differentiation and positioning. (Answer: False; p. 9; Moderate)

90. The production concept and product concept are two philosophies that can both lead to marketing myopia. (Answer: True; p. 10; Challenging)

91. When railroad companies thought that users wanted trains rather than transportation and overlooked the growing challenge of other modes of transportation they were following the selling concept. (Answer: False; p. 10; Moderate)

92. Most firms follow the production concept when they face overcapacity. (Answer: False; p. 10; Challenging)

93. The societal marketing concept calls on marketers to balance consumer wants and desires, company profits, and society’s interest. (Answer: True; p. 12; Moderate)

94. Customer Relationship Management (CRM) is nothing more than a customer data management activity. (Answer: False; p. 14; Moderate)

95. Delivering superior customer value and customer satisfaction are the two keys to building lasting customer relationships. (Answer: True; p. 14; Moderate)

96. Customer value is defined as the customer’s evaluation of the perceived difference between all the benefits and all the costs of a marketing offer relative to those of competing offers. (Answer: True; p. 14; Moderate)

97. Customer-perceived value depends on the product’s perceived performance relative to a buyer’s expectations. (Answer: False; p. 14; Moderate)

98. The simplest definition of modern marketing is managing profitable customer relationships. (Answer: True; p. 5; Easy)

99. The difference between human needs and wants is that needs are states of felt deprivation. (Answer: True; p. 6; Easy)

100. Smart marketers look beyond the attributes of the products and services they sell. They create brand experiences for consumers. (Answer: True; p. 7; Moderate)

101. Marketing management is interested in serving all customers in every way to remain competitive in today’s markets. (Answer: False; p. 9; Moderate)

102. At times it becomes necessary to reduce demand for some products and services. When the government tries to reducesmokingof tobacco products, it adds more tax to the products and is practicing demarketing. Answer: True; p. 9; Easy)

103. Amy’s law office has developed a new format and wording for wills. The staff believes they offer the most in quality, performance, and innovative features. Her law office is practicing the production concept. (Answer: False; p. 10; Moderate)

104. The selling concept holds that consumers will not buy enough of the firm’s products unless it undertakes a large-scale selling and promotion effort. (Answer: True; p. 10; Easy)

105. The major difference between customer-driving marketing and customer-driven marketing is that the former considers only existing needs. Answer: False; p. 11; Easy) Essay

106. Explain the five marketplace concepts. The core marketplace concepts are: needs, wants, and demands; marketing offers; value and satisfaction; exchanges, transactions, and relationships; and markets. Addressing customer needs and want is at the very heart of the marketing concept. The four elements of the marketing mix help firms meet the challenges of value creation, customer satisfaction, and to establish meaningful and profitable relationships. (p. 6; Moderate)

107. Explain how marketers create brand experiences beyond selling products/services. Strategic thinking underlies creating meaningful and purposeful experiences and relationships for customers. In creating brand experiences, marketers have successfully demonstrated that to differentiate their offer from their competitors, they have to connect with their customers at various levels. (p. 7; Moderate)

108. Compare the selling and marketing concepts under which organizations carry out their marketing strategies. List the key components of each philosophy. The selling concept reflects an inside-out philosophy and the marketing concept takes an outside-in perspective. The selling concept is practiced when firms face overcapacity. When consumers do not buy enough products on their own, companies coerce them into buying more by undertaking a large-scale selling and promotion effort. The marketing concept, on the other hand, is a three-pronged philosophy based upon: satisfaction of customer needs and wants, integration of resources both within and outside the firm,, and profit maximization. (p. 10; Easy)

109. What is the societal marketing concept? Explain. According to this concept, firms today and in the future will survive if they take underlying consumer needs and society’s well being into account over the long term. In setting their marketing strategies, marketers today need to balance company profits, consumer wants, and society’s interests. From day one, when marketing decisions are made, firms need to put people and society before profits. (p. 11; Easy)

110. One of the major developments in marketing can be summed up on one buzzword: relationships. Define customer relationship management and its associated strategies for building long-term relationships. Customer Relationship Management (CRM) is the process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

Companies develop customer relationships with target markets at multiple levels. The most basic form of a relationship for mass-marketed products/services is through a Web site, sales promotion offer, or a 1-800 customer-response number. At the other end of the spectrum, companies like Amazon. com create full partnerships with key customers. Other marketers work closely with retailers, for example. Some marketers use tools such as financial benefits like rewards based on frequency of purchase. Other tools include social benefits, like offering key customers the opportunity to network and create communities.

Another approach adds structural ties to the aforementioned financial and social benefits. Hence, to retain current customers and remain profitable, companies today are going beyond transactional marketing to customer relationship management. The key is to create and sustain relationships for the long term. (p. 14; Moderate)

111. The aim of customer relationship management is to create not just customer satisfaction, but customer delight. Explain. Customer satisfaction cannot be taken for granted. Because brand loyalty is dependent upon strong customer satisfaction, companies strive to retain current customers.

Losing a customer once might mean losing the customer for life. Firms like Taco Bell and Home Depot, for example, look at a stream of purchases a customer is likely to make over his/her lifetime. Therefore each sale is critical to the long-term success of a relationship. Because the ultimate aim of customer lifetime value is to create share of customer, firms today create customer delight by over delivering and creating emotional relationships with key customers. (p. 15; Moderate)

112. Define customer equity. Customer equity is the sum of the lifetime values of all the company’s customers. Customer equity is dependent upon customer loyalty by a firm’s profitable customers. Because customer equity is a reflection of a company’s future, companies must manage it carefully. (p. 21; Easy)

113. Explain how the Internet has transformed the way in which we do business today. The Internet links individuals and businesses of all types to each other. “ Bricks and Mortar” companies of the past are now “ clicks and mortar” companies today. Manufacturing firms today are linked to their suppliers and customers to build closer relationships. The Internet allows firms access to exciting new marketspaces. The Internet has spawned an entirely new breed of “ click only” companies—the so-called “ dot-coms. ” The post-Internet frenzy of the late 1990s has introduced companies that are both savvy and face promising futures. (p. 26; Easy)

114. Describe the impact of globalization on marketing today. Marketers everywhere have been surrounded by global competition for over two decades now. Regional trade agreements, such as NAFTA, have transformed competition and economic cooperation today. Geographical and cultural distances, in addition, have shrunk with the advent of technology, the Internet and new product introduction. Domestic firms in countries such as India have had to contend and compete with U. S. multinational firms for market share, revenues, and profits. Firms worldwide are sourcing their products from different corners of the globe. (p. 26; Moderate)

115. Analyze the major challenges facing marketers heading into the new “ connected” millennium. Marketers must connect faster and better with customers. The latest technologies must be used to ensure delivery of time-based competition. Web sites and e-commerce must be fine-tuned to connect with more carefully selected customers.

Many companies are connecting directly with customers to customize their mix of products and services. Partnership relationship and supply chain management must be built with strategic alliances to make those domestic and global challenges. (p. 28; Moderate)

APPLICATION CONTENT: Multiple-Choice Questions

116. Shawn McCork has an interesting job. He is involved in getting, keeping, and growing customers through creating, delivering, and communicating superior customer value. What is Shawn’s job? a. General manager. b. Supervisor. c. Marketing manager. d. Sales manager. e. Top manager. (Answer: c; p. ; Challenging)

117. The marketing manager at Sunshine Car Washes is holding a training session for new employees. She stresses that perhaps the most important concept of modern marketing is \_\_\_\_\_. a. customer relationship management b. e-mail advertising c. a quality Web site d. properly trained sales people e. low prices (Answer: a; p. 9; Moderate)

118. Greg Williams now has the buying power to purchase the computer system he has wanted for the last six months. Greg’s want now has become a \_\_\_\_\_. a. need b. necessity c. demand d. satisfier e. none of the above (Answer: c; p. 7; Easy)

119. After surveying all 3, 500 customers by e-mail, Best Value Stores learned that its customers favor high quality, performance, and innovative features. Best Value’s customers were surveyed about \_\_\_\_\_. a. product concept b. production concept c. customer satisfaction d. marketing concept e. promotion concept (Answer: a; p. 10; Challenging)

120. Jolene’s firm believes that consumers will not buy enough of the firm’s products unless the firm undertakes a large-scale selling and promotion effort. Jolene’s firm is practicing the \_\_\_\_\_. a. production concept b. marketing concept c. selling concept d. relationship concept . social advertising campaign (Answer: c; p. 10; Easy)

121. Jonathan Nash works in sales for a telemarketing firm. His firm uses the selling concept, which take a(n) \_\_\_\_\_ approach. a. outside-in b. myopic c. inside-out d. marketing concept e. customer service (Answer: c; p. 11; Easy)

122. Marie Ortiz enjoys her work at Futuristic Designs, Inc. Her organization understands customer needs even better than customers themselves do and creates products and services that will meet existing and latent needs, now and in the future. Marie’s firm practices \_\_\_\_\_ marketing. a. customer-driven b. customer-driving c. elationship d. donor e. none of the above (Answer: b; p. 11; Challenging)

123. You find yourself in a new job. Your marketing manager is heavily involved in the process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. Your manager is concerned with which one of the following? a. Database management. b. Web site hits. c. Relationship management. d. Donor marketing. e. Customer relationship management. (Answer: e; p. 14; Moderate)

124. Tommy Gray attempts to deliver customer satisfaction every day in his Audio Expressions installation business. He is a smart operator who knows that the key to this goal is to match \_\_\_\_\_ with \_\_\_\_\_. a. customer expectations; competitive prices b. company performance; competition c. customer expectations; company performance d. company performance; unique products e. relationship building; promotional tools (Answer: c; p. 14; Moderate)

125. You have just read a report that alarms you. According to the American Customer Satisfaction Index, which of the following conditions exists relative to overall customer satisfaction with U. S. manufacturing and service industries? a. It has increased slightly. b. It has increased very much. c. It has remained steady. d. It has decreased slightly. e. It has decreased dramatically. (Answer: d; p. 20; Easy)

126. Shania works hard with her Internet customers to create an emotional relationship for her customers with the products and services that she and her staff sell. She and her staff have created \_\_\_\_\_ by going beyond the expected. a. customer delight b. customer satisfaction c. customer equity d. customer value e. customer loyalty (Answer: a; p. 14; Challenging)

127. Karrie Romanov wants to capture the full essence of customer relationship management. Which of the following will Karrie take into consideration? a. Own the customers for life. b. Capture their lifetime value. c. Building overall customer equity. d. All of the above. e. None of the above. (Answer: d; p. 14; Moderate)

128. Some firms find themselves in markets with many low-margin customers. As assistant marketing director, what type of relationship would you develop with these customers? a. Full partnerships. b. Basic relationships. c. Relationship marketing. d. Key customer marketing. e. Lifetime value. (Answer: b; p. 15; Moderate)

129. You have just read a report in a leading business magazine. It stated that the major marketing developments as we enter the new millennium can be summed up in what single theme? a. Relationship marketing. b. Connecting. c. Partnering. d. Networking. e. Customer equity. (Answer: b; p. 23; Challenging)

130. You have just been told by your supervisor at work that a new economy has emerged. What is the technology behind this new force? a. The Internet. b. Web sites. c. Voice mail. d. Cell phones. e. Simultaneous engineering. (Answer: a; p. 26; Easy)

131. Pete Sanchez has just realized something that he needs to tell his marketing manager at work. Pete knows that today few firms still practice rue \_\_\_\_\_. a. production orientation b. sales orientation c. mass marketing d. quality orientation e. marketing segmenting (Answer: c; p. 16; Moderate)

132. Suzie Chan strengthens her company’s connections with partners all along the supply chain. What type of management is she using? a. Outside partnering. b. Supplier connecting. c. Mentoring. d. Supply chain. e. Channeling. (Answer: d; p. 19; Easy)

133. ABC Corporation realizes that they need partners to go beyond supply chain management. What do we call this association? a. Strategic alliances. b. strategic planning. c. Partnering. d. Mutual reciprocity. e. Reengineering. Answer: a; p. 19; Moderate)

134. Sally purchased Brand X lotion. In analyzing the product’s perceived performance against her expectations, Sally was measuring her level of \_\_\_\_\_. a. customer perceived value b. customer satisfaction c. exchange d. demand e. customer lifetime value (Answer: b; p. 14; Moderate)

135. Members of the sales team at Dekko International visit only prospective customers who purchase a minimum of $50, 000 of insulated wire per year. Dekko is using \_\_\_\_\_. a. selective relationship management b. a frequency marketing program c. a club marketing program d. demarketing e. a value proposition (Answer: a; p. 6; Easy) Short Answer

136. What is the twofold goal of marketing? The twofold goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering satisfaction. (p. 5; Easy)

137. Culture and individual personality shape human needs into wants. What transforms wants into demands? Wants become demands when backed by purchasing power. (p. 6; Moderate)

138. How might a seller avoid marketing myopia? Sellers should consider the particular benefits and experiences produced by their products, not just pay attention to the specific products they offer. (p. 7; Moderate)

139. How might a manufacturer of tents and camping equipment, for example, create brand experiences for consumers? Such manufacturers might produce tents, sleeping bags, cooking equipment, and so forth that allow consumers to benefit from the numerous products available to campers. (p. 7; Easy)

140. The main elements of a modern marketing system relies on profitable relationships all along the way. Considering this, what might Wal-Mart rely on in order to offer low prices? Wal-Mart must rely on suppliers that will provide merchandise at low costs. (p. 8; Moderate)

141. How might a marketer define its value proposition? In considering its value proposition, a marketer will look at how the firm can best serve the customers and how it can differentiate itself in the marketplace. (p. 9; Easy)

142. When demand for Beanie Babies was at its highest, manufacturers purposefully maintained strong demand by limiting supply that drove price up. Explain how such manufacturers were not carrying out the production concept. The production concept holds that consumers favor products that are available and affordable. With this concept, manufacturers work to increase production and improve manufacturing efficiency. (p. 10; Challenging)

143. Company X carries a vast surplus of office supplies; thus, the company follows the selling concept. Explain how customer relationships may be lost in the process. The company’s aim is to sell the supplies rather than make what the market wants; such a strategy creates sales transactions but not long-term relationships. (p. 10; Challenging)

144. Many companies, such as Southwest Airlines, take an outside-in perspective. How do such companies address their customers’ desires? Outside-in companies are customer driven; they find the right products for their customers rather than the right customers for their products. (p. 11; Moderate)

145. A nineteenth-century street vendor in London sang, “ Who will buy my fresh, red roses? ” Did the vendor take an outside-in or inside-out perspective? Explain. The vendor’s approach was inside-out. The roses were picked and available. The vendor’s job was then to attract willing buyers. (p. 11; Challenging)

146. When a vendor has product available and needs to find customers who are willing to buy, is a production concept, product concept, or selling concept being practiced? Explain. A selling concept is used when the vendor has available product and needs to find customers who are willing to buy. (p. 10; Moderate)

147. Explain why electronics and pharmaceuticals manufacturers may use customer-driving marketing. In such industries, consumers do not know exactly what new products are available; therefore, consumers rely on such firms to tell them what they need. (p. 11; Moderate)

148. Company ABC implements its marketing strategy through a well-defined marketing mix. What elements are being addressed in the marketing mix? Company ABC has created a marketing offer (product), determined a selling price, decided how to distribute (place) the offer, and communicated with the target customer about the offer (promotion). (p. 13; Easy)

149. Explain how storing customer information in a database might better prepare Saturn in customer relationship management (CRM). Managing detailed information about customers may allow Saturn to design new models around customer demographics and desires for specific features. These “ touchpoints” can be the key to long-term customer loyalty. (p. 14; Moderate)

150. What determines whether sellers create basic relationships or full partnerships with customers? A company with many low-margin customers develops basic relationships; a company with just a few high-margin customers relies on full partnerships. (p. 15; Challenging)

151. Explain how a supermarket owner might consider customer lifetime value when a disgruntled customer leaves the store dissatisfied. The owner may view the situation as a $50, 000 loss if, for example, each customer spends about $100 per week, shops 50 weeks per year, and remains in the area for about 10 years. Customer lifetime value includes the long-term value of the customer. (p. 20; Easy)

152. How can a marketer increase “ share of customer”? The marketer can offer greater variety to customers; in addition, the marketer can train employees to cross-sell and up-sell in order to market more products and services to existing customers. p. 21; Easy)

153. In classifying customers into relationship groups, explain what marketers can expect from “ butterflies. ” “ Butterflies” are profitable but not loyal. Marketers should enjoy “ butterflies” “ for the moment” because they soon flutter off. Marketers should create profitable and satisfying transactions with “ butterflies,” then cease investing in them until the next time around. (p. 23; Moderate)

154. If a firm practices “ caring capitalism” in its social responsibility efforts, as does Ben & Jerry’s and Saturn, where does the firm place its focus? Such firms distinguish themselves by being more civic-minded and caring; they may build social responsibility into their company value and mission statements. (p. 28; Challenging)

155. How is marketing being applied in the not-for-profit sector? Firms in the not-for-profit sector use marketing to enhance their images, to encourage donor marketing to attract memberships and donors, and to design social marketing campaigns to encourage specific causes. (p. 28; Moderate) Scenario Carol Veldt, owner of Seagull Terrace, watched her investment grow from a small, seaside motel to a thriving year-round resort in just a few years.

Atop a bluff overlooking the Maine coast, Seagull Terrace had attracted thousands of visits during the summer months, but then faced a tremendous downturn in business during the winter months. “ But, given the industry in the nearby towns, very little year-round competition, and our close proximity to Portland,” Carol added, “ I couldn’t understand why seasonality had to hit Seagull Terrace so hard! ” So Carol spent her first winter devising a new marketing plan. She put together a promotional package designed to attract business travelers year-round.

Carol’s plan, then, involved a seasonal promotional gimmick—to be implemented from late winter to late spring—that would attract the large summer crowd. Her idea worked! During her second winter, Carol greeted numerous business travelers—both satisfied repeat guests as well as new guests who had been snagged by her promotional appeals. “ We still have a long way to go,” Carol Veldt admitted. “ Our delicatessen offers delicious entrees, but we’d like to expand that. We provide health club privileges off-site, but we’d like to eventually provide our own. These are goals I hope to achieve in a few years.

Our first project, however, included a renovation of our guest rooms and I’m quite proud of the results. ” Carol then added, “ Actually there are so many possibilities! With an indoor pool area, I will eventually offer weekend get-aways throughout winter. ”

156. Based on the marketing process, what are Carol Veldt’s strengths? Carol was able to understand her customers’ needs and wants. She was able to deliver superior value through her marketing program, which created customer delight. (p. 6; Easy)

157. What is included in the marketing offering at Seagull Terrace? Seagull Terrace provides activities and amenities that make a night’s stay more satisfying; these various activities and amenities are sought by two targeted groups— seasonal visitors and year-round business travelers. (p. 7; Moderate)

158. How is Carol Veldt attempting to create brand experiences for her visitors? Carol is attempting to include numerous services and amenities for her visitors. Eventually, everything the visitors want or need will be offered at Seagull Terrace. (p. 7; Moderate)

159. How has Carol Veldt taken on the role of marketing manager? Carol is attempting to find, attract, keep, and grow target customers by creating, delivering, and communicating superior customer value. (p. 8; Moderate)

160. Define the target market at Seagull Terrace. Two types of guest are being lured: seasonal visitors during the summer and year-round business travelers. (p. 9; Easy)

161. In what ways might Carol Veldt be implementing the product concept? Carol understands that guests will favor services that offer the most in quality and innovative features; Carol’s strategy currently focuses on making continuous improvements. (p. 10; Challenging)

162. In what ways might Carol Veldt be implementing the selling concept? Carol understands that the success of Seagull Terrace, as she views it, requires a large-scale promotional effort. (p. 10; Challenging)

163. How might the marketing mix at Seagull Terrace differ between its two target markets? Business travelers may be offered a discount business rate; obviously, the promotional tactic will differ for these guests. Summer guests may pay higher rates, but the beauty of Maine’s coast andthe beach, as well as Seagull Terrace’s variety of services, will be the main attractions. (p. 3; Easy)

164. How will Carol Veldt guarantee customer satisfaction? Carol will attempt to create services and amenities that exceed buyer expectations. (p. 14; Easy)

165. Explain how Carol Veldt is engaging in partner relationship management. Explain how this could be enhanced. Guests at Seagull Terrace currently receive health club privileges at a nearby health facility. Guests during the summer could receive sailboat rentals through such arrangements; year-round business travelers could be given meal discounts at local restaurants, dry cleaning services, and so forth. (p. 19; Challenging)