**Chapter 1**

Marketing: Creating and capturing customer value

**Choose the one alternative that best completes the statement or answers the question.**

1) Which of the following is an example of a type of market offering?

A) persons and ideas

B) information

C) experiences

D) All of the above.

E) A and B only.

Answer: D

AACSB: Written and oral communication

Topic: What is marketing?

Objective: LO 1.1 Define marketing, and outline the steps in the marketing process.

Difficulty: Basic

2) Which of the following is NOT a basic core concept of marketing?

A) needs, wants and demands

B) revenue streams

C) market offerings

D) value, satisfaction and quality

E) None of the above.

Answer: B

AACSB: Written and oral communication

Topic: What is marketing?

Objective: LO 1.1 Define marketing, and outline the steps in the marketing process.

Difficulty: Moderate

3) Which of the following is an example of a product?

A) a DVD or movie based on the life of a celebrity

B) a haircut

C) a day at Dream World theme park

D) an SUV or family sedan

E) All of the above.

Answer: E

AACSB: Written and oral communication

Topic: What is marketing?

Objective: LO 1.1 Define marketing, and outline the steps in the marketing process.

Difficulty: Basic

4) Which of the following is most essential to any definition of marketing?

A) demand management

B) the production concept

C) customer relationships

D) making a sale

E) making a profit

Answer: C

AACSB: Written and oral communication

Topic: What is marketing?

Objective: LO 1.1 Define marketing, and outline the steps in the marketing process.

Difficulty: Moderate

5) According to the simple model of the marketing process, a company needs to \_\_\_\_\_\_\_\_ before designing a customer-driven marketing strategy.

A) determine how to deliver superior value

B) build profitable relationships with customers

C) use customer relationship management to create full partnerships with key customers

D) understand the marketplace and customer needs and wants

E) construct key components of a marketing program

Answer: D

AACSB: Written and oral communication

Topic: What is marketing?

Objective: LO 1.1 Define marketing, and outline the steps in the marketing process.

Difficulty: Moderate

6) In many instances, marketing managers try to ensure that there is a sense of excitement (or enjoyment) associated with a market offering and the marketing communication used. Which of the following factors is a key to creating excitement?

A) experiential involvement

B) emotional involvement

C) interactivity

D) All of the above.

E) A and B only.

Answer: D

AACSB: Written and oral communication

Topic: What is marketing?

Objective: LO 1.1 Define marketing, and outline the steps in the marketing process.

Difficulty: Moderate

7) Which of the following statements is NOT correct?

A) It is always appropriate to create a sense of excitement from buying, using and experiencing products.

B) Marketing managers retain customers by ensuring that branded goods, services and experiences offer intrinsic value.

C) There are instances where creating excitement might be inappropriate.

D) All of the above.

E) None of the above.

Answer: D

AACSB: Written and oral communication

Topic: What is marketing?

Objective: LO 1.1 Define marketing, and outline the steps in the marketing process.

Difficulty: Moderate

8) \_\_\_\_\_\_\_\_ is defined as an activity, a set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large.

A) Selling

B) Advertising

C) Bartering

D) Marketing

E) Negotiating

Answer: D

AACSB: Written and oral communication

Topic: What is marketing?

Objective: LO 1.1 Define marketing, and outline the steps in the marketing process.

Difficulty: Moderate

9) The twofold goal of marketing is to attract new customers by promising reasonable value and to keep current customers by delivering products and services.

A) True

B) False

Answer: False

AACSB: Written and oral communication

Topic: What is marketing?

Objective: LO 1.1 Define marketing, and outline the steps in the marketing process.

Difficulty: Moderate

10) The two fold goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering satisfaction.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: What is marketing?

Objective: LO 1.1 Define marketing, and outline the steps in the marketing process.

Difficulty: Moderate

**Write the word or phrase that best completes each statement or answers the question.**

11) Marketing is an activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have \_\_\_\_\_\_\_\_ for customers, clients, partners and society at large.

Answer: value

AACSB: Written and oral communication

Topic: What is marketing?

Objective: LO 1.1 Define marketing, and outline the steps in the marketing process.

Difficulty: Basic

**Choose the one alternative that best completes the statement or answers the question.**

12) Which of the following are elements of a modern marketing system?

A) suppliers

B) company and competitors

C) marketing intermediaries

D) consumers and buyers

E) All of the above.

Answer: E

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Basic

13) All of the following are accurate descriptions of modern marketing today, EXCEPT which one?

A) Marketing is the creation of value for customers.

B) Marketing is managing profitable customer relationships.

C) Selling and advertising are synonymous with marketing.

D) Marketing involves satisfying customers’ needs.

E) Marketing is used by for-profit and not-for-profit organisations.

Answer: C

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Moderate

14) \_\_\_\_\_\_\_\_ refers to sellers being preoccupied with their own products and losing sight of underlying potential consumer and market needs.

A) Marketing management

B) Value proposition

C) Marketing myopia

D) The product concept

E) The production concept

Answer: C

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Moderate

15) When backed by purchasing power, wants become \_\_\_\_\_\_\_\_.

A) social needs

B) demands

C) physical needs

D) self-esteem needs

E) exchanges

Answer: B

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Moderate

16) \_\_\_\_\_\_\_\_ is the act of obtaining a desired object from someone by offering something in return.

A) A value proposition

B) Exchange

C) Bribery

D) Value

E) Donation

Answer: B

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Moderate

17) \_\_\_\_\_\_\_\_ 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

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Moderate

18) Consumer research, product development, communication, distribution, pricing, and service are all most accurately described as core \_\_\_\_\_\_\_\_ activities.

A) exchange

B) marketing

C) management

D) production

E) customer relationship management

Answer: B

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Basic

19) \_\_\_\_\_\_\_\_ are human needs as shaped by individual personality and culture.

A) Deprivations

B) Wants

C) Demands

D) Values

E) Exchanges

Answer: B

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Basic

20) Demands are human wants that are backed up by buying power.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Moderate

21) Human needs are shaped by culture and individual personality.

A) True

B) False

Answer: B

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Basic

22) Market offerings are limited to physical products.

A) True

B) False

Answer: B

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Basic

23) Market offerings can include products, services, information or experiences offered to a market to satisfy a need or want.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Basic

24) When sellers focus on existing needs and lose sight of underlying customer wants, they suffer from marketing myopia.

A) True

B) False

Answer: B

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Complex

25) Marketers should look beyond the attributes of the products and services that they sell in order to also create brand experiences for consumers.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Moderate

26) There are occasions when a firm should legitimately practice demarketing in order to manage its demand levels.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Basic

27) The difference between human needs and wants is that needs are not influenced by marketers.

A) True

B) False

Answer: A

AACSB: Analytical thinking

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Complex

28) When backed by buying power, needs become wants.

A) True

B) False

Answer: B

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Moderate

**Write the word or phrase that best completes each statement or answers the question.**

29) Human \_\_\_\_\_\_\_\_ are states of felt deprivation.

Answer: needs

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Basic

30) Human needs take the form of \_\_\_\_\_\_\_\_ as they are shaped by culture and individual personality.

Answer: wants

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Basic

31) \_\_\_\_\_\_\_\_ are human wants backed by buying power.

Answer: Demands

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Basic

32) \_\_\_\_\_\_\_\_ is defined as ‘some combination of goods, services and experiences that can be offered to a market to satisfy a need or a want’.

Answer: Market offering

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Moderate

33) If exchange is the core concept of marketing, then a(n) \_\_\_\_\_\_\_\_ is marketing’s core unit of measurement.

Answer: transaction

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Moderate

34) A(n) \_\_\_\_\_\_\_\_ is the set of all actual and potential buyers of a product.

Answer: market

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Basic

**Write your answer on a separate sheet of paper.**

35) Briefly compare and contrast the concepts of needs, wants and demands, giving an example of each. Discuss how these concepts relate to marketing practices.

Answer:

Human needs are states of felt deprivation. Needs are part of the human make-up; they are not created by external forces. Humans have basic physical needs for food, clothing, warmth, shelter and safety as well as basic social needs for belonging, affection, knowledge and self-expression. Unlike needs, wants are not innate; instead, wants are needs shaped by culture, society and individual personality. For example, a person needs the nutrients provided by food but may want a Big Mac. Wants become demands when they are backed by consumers’ purchasing power. Marketers conduct extensive research to understand customers’ wants and demands, and then attempt to fulfil those wants and demands through their market offerings.

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Complex

36) In a short essay, explain how and why marketers go beyond selling a product or service to create brand experiences.

Answer:

Sellers are most effective when they focus more on the benefits and experiences produced by their products and services, than on the specific products and services themselves. Smart marketers focus on creating a ‘unique’ brand experience, incorporating several products and services for their customers, which may include virtual brand experiences delivered via online interactions. By involving the customer in such a brand experience, marketers hope to increase individual customer satisfaction, creating a body of customers who will repeatedly purchase their market offerings and also recommend those market offerings to friends.

AACSB: Written and oral communication

Topic: Understanding the marketplace and customer needs

Objective: LO 1.2 Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.

Difficulty: Complex

**Choose the one alternative that best completes the statement or answers the question.**

37) When many customers share a strong need that cannot be satisfied by any existing products or services, this is known as \_\_\_\_\_\_\_\_.

A) full demand

B) unwholesome demand

C) latent demand

D) overfull demand

E) irregular demand

Answer: C

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

38) Texas Instruments, one of the first producers of hand-held calculators, put a great deal of effort into expanding production of calculators to drive down the cost and thus expand the market. This is most indicative of the \_\_\_\_\_\_\_\_ concept.

A) production

B) product

C) customer

D) marketing

E) societal

Answer: A

AACSB: Analytical thinking

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

39) The Apex Corporation has sold the same product since its entry into the marketplace. Each time the sales of its product have slipped, the firm has responded by cutting prices and increasing promotions. In spite of its efforts, sales continued to

decline. Apex’s ‘product-focused’ response is evidence of \_\_\_\_\_\_\_\_.

A) a profit-maximisation philosophy

B) production myopia

C) maximisation myopia

D) marketing myopia

E) the marketing concept

Answer: D

AACSB: Analytical thinking

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Complex

40) Lenovo computers dominate the Chinese market through low labour costs, high production efficiency and mass distribution. This is most indicative of the \_\_\_\_\_\_\_\_ concept.

A) production

B) product

C) customer

D) marketing

E) societal

Answer: A

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

41) Delighted customers, known as ‘customer evangelists’, are more likely to \_\_\_\_\_\_\_\_.

A) spread the word about their good experiences with a brand or product.

B) engage in repeat purchasing.

C) become willing brand partners.

D) All of the above.

E) None of the above.

Answer: D

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

42) Which customer question is answered by a company’s value proposition?

A) ‘Why should I buy your brand rather than a competitor’s?’

B) ‘How does your brand benefit me and society?’

C) ‘What are the costs and benefits of your brand?’

D) ‘What kind of experience will I have with products and services associated with this brand?’

E) ‘What are the benefits of being a loyal consumer of your brand?’

Answer: A

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

43) Which of the following is the most likely result of a marketing strategy that attempts to serve all customers?

A) All customers will be delighted.

B) Customer-perceived value will be increased.

C) Customer evangelists will become unpaid salespersons for the service or product.

D) The company may need to follow up with a demarketing campaign.

E) A and B only.

Answer: D

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

44) The marketing task known as demarketing involves \_\_\_\_\_\_\_\_.

A) reducing demand, either temporarily or permanently

B) adopting a low price position for a product or brand

C) preventing competitors from imitating a product or brand

D) reducing the value embedded in a product or brand

E) eliminating the product from the offerings

Answer: A

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

45) The art and science of choosing target markets and building profitable relationships with them is called \_\_\_\_\_\_\_\_.

A) marketing management

B) market positioning

C) market segmentation

D) selling

E) societal marketing

Answer: A

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

46) The elements of the marketing mix are price, place, promotion and product.

A) True

B) False

Answer: True

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

47) The elements of the extended marketing mix are price, place, promotion and product.

A) True

B) False

Answer: B

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

48) The elements of the extended marketing mix are product, price, placement logistics and promotion plus people, process and physical evidence.

A) True

B) False

Answer: True

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

49) Two important questions underlying marketing strategy are: ‘Who is our target market?’ and ‘What’s our value proposition?’

A) True

B) False

Answer: True

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

50) The production concept and product concept are orientations that can lead to marketing myopia.

A) True

B) False

Answer: True

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

51) Amy’s law office has developed a new format and wording for wills. Staff believe that they offer superior quality, performance and innovative features. Her law office is practicing the production concept.

A) True

B) False

Answer: B

AACSB: Reflective thinking

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Complex

52) 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.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

53) Customer-driven marketing considers only existing needs for existing markets.

A) True

B) False

Answer: B

AACSB: Analytical thinking

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

54) The societal marketing concept calls on marketers to balance consumer wants and desires, company profits and society’s interest.

A) True

B) False

Answer: A

AACSB: Ethical understanding and reasoning

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

55) Product, price, place and promotion make up the elements of a firm’s marketing mix.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

**Write the word or phrase that best completes each statement or answers the question.**

56) The aim of \_\_\_\_\_\_\_\_ is not to completely destroy demand, but only to reduce or shift it to another time, or even another product.

Answer: demarketing

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

57) A marketing organisation’s \_\_\_\_\_\_\_\_ proposition is the set of benefits or values it promises to deliver to consumers to satisfy their needs.

Answer: value

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

58) The \_\_\_\_\_\_\_\_ concept holds that consumers will favour products that are available and highly affordable.

Answer: production

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

59) The \_\_\_\_\_\_\_\_ concept holds that consumers will favour products that offer the most quality, performance and innovative features.

Answer: product

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

60) The \_\_\_\_\_\_\_\_ concept holds that achieving organisational goals depends on determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors.

Answer: marketing

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

61) The \_\_\_\_\_\_\_\_ concept holds that consumers won’t buy enough of the organisation’s products unless it undertakes a large-scale selling effort as part of its promotional program.

Answer: selling

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

62) The \_\_\_\_\_\_\_\_ marketing concept questions whether the pure marketing concept is adequate in the age of environmental problems, resource shortages, rapid population growth, worldwide economic problems and neglected social services.

Answer: societal

AACSB: Written and oral communication

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

**Write your answer on a separate sheet of paper.**

63) Compare the selling and marketing concepts, listing the key components of each philosophy.

Answer:

The selling concept reflects an inside-out philosophy, while the marketing concept takes an outside-in perspective. The selling concept is typically practiced when an organisation is marketing products or services that buyers do not normally think of purchasing, such as insurance or blood donation. Aggressive selling focuses on creating sales transactions rather than on building long-term relationships with customers, with the aim of selling what the company makes rather than making what the customer wants. The marketing concept, on the other hand, is based upon identifying the needs and wants of target markets and then satisfying those needs and wants better than competitors do. In contrast to the selling concept, marketing focuses on the customer, not the product, and the path to profits.

AACSB: Analytical thinking

Topic: Preparing an integrated marketing plan and program

Objective: LO 1.3 Identify the key elements of a customer-driven marketing strategy, and discuss the marketing management orientations that guide marketing strategy.

Difficulty: Moderate

**Choose the one alternative that best completes the statement or answers the question.**

64) Customer satisfaction is said to occur when \_\_\_\_\_\_\_\_.

A) a product’s performance falls short of customer expectations

B) a product’s performance matches or exceeds customer expectations

C) a product’s price was heavily discounted

D) the product was well designed

E) the customer’s benefits outweighed the costs of purchasing the product

Answer: B

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

65) You have just taken a new position in an organisation and you’re learning about the job functions of your new colleagues. You observe that your marketing manager is heavily involved in the process of building and maintaining profitable customer relationships, and frequently speaks about the need to deliver superior customer value and satisfaction. Your manager is concerned with which one of the following?

A) database management

B) website hits

C) the societal marketing concept

D) not-for-profit marketing

E) customer relationship management

Answer: E

AACSB: Reflective Thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

66) Wendy purchased Brand X hand lotion. In comparing her perception of how the lotion performed to her expectations for such a lotion, she was measuring her level of \_\_\_\_\_\_\_\_.

A) customer perceived value

B) customer satisfaction

C) exchange

D) demand

E) customer lifetime value

Answer: B

AACSB: Reflective Thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

67) A small business operator attempts to deliver customer satisfaction every day in his home entertainment installation business. The key to this goal is to match the customer-perceived performance of his products and their installation with the \_\_\_\_\_\_\_\_.

A) company-perceived performance

B) customer values

C) customer expectations

D) relationship levels

E) company expectations

Answer: C

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

68) Shania works hard to foster an emotional relationship between her Internet customers and the beauty products and services that she and her staff sell. By promoting a company culture that values exceptional value and service, Shania aims to create \_\_\_\_\_\_\_\_ by going beyond the expected.

A) customer delight

B) customer satisfaction

C) customer equity

D) customer value

E) customer loyalty

Answer: A

AACSB: Reflective Thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

69) You are an assistant marketing manager for a firm in a market with many low-margin customers. What type of relationship would it be most profitable for you to develop with these customers?

A) full partnerships

B) basic relationships

C) club programs

D) selective relationships

E) community relationships

Answer: B

AACSB: Analytical thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

70) A recent graduate of business school has a different philosophical approach than his marketing manager, who believes in keeping customers at arm’s length and using mass media advertising. He knows that today few successful firms still practice this type of true \_\_\_\_\_\_\_\_, and are instead turning to selective relationship management.

A) club marketing

B) frequency marketing

C) mass marketing

D) customer satisfaction

E) marketing segmenting

Answer: C

AACSB: Reflective Thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

71) 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) customer profitability analysis

B) customer-managed relationships

C) a club marketing program

D) partner relationship management

E) supply chain management

Answer: A

AACSB: Reflective Thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

72) A product manager strengthens her company’s connections by treating suppliers of raw materials, vendors and distributors as partners in delivering customer value. What type of management is she practicing?

A) outside partnering

B) inside partnering

C) marketing

D) supply chain

E) customer development

Answer: D

AACSB: Reflective Thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Complex

73) A team leader in charge of customer relationship management is planning strategies for improving the profitability of her firm’s least profitable but loyal customers. She is also examining methods for ‘firing’ customers in this group who cannot be made profitable. To which of the following customer relationship groups do these customers belong?

A) butterflies

B) true friends

C) strangers

D) barnacles

E) None of the above.

Answer: D

AACSB: Reflective Thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Complex

74) A CRM team leader aims to improve the overall firm profitability, and assesses her firm’s most profitable and loyal

customers. Which of the following customer relationship groups do these customers belong to?

A) butterflies

B) true friends

C) strangers

D) barnacles

E) None of the above.

Answer: B

AACSB: Reflective Thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Complex

75) Of the following, which is the most important concept of modern marketing?

A) customer relationship management

B) e-mail advertising

C) mass marketing

D) properly trained sales people

E) low prices

Answer: A

AACSB: Reflective Thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

76) Which of the following is determined by a customer’s personal evaluation of the benefits and costs of a market offering relative to those of competing offers?

A) customer-perceived value

B) customer satisfaction

C) customer-perceived performance

D) customer relationship management

E) market segmentation

Answer: A

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

77) It is most accurate to say that a customer will buy from the company that offers the highest \_\_\_\_\_\_\_\_.

A) value for the dollar

B) customer-perceived value

C) level of customer satisfaction

D) company image

E) concern for society’s interests

Answer: B

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

78) Which of the following has NOT contributed to the deeper, more interactive nature of today’s customer relationships?

A) e-mail

B) websites

C) online social networks

D) traditional advertising

E) social media

Answer: D

AACSB: Information technology

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

79) Which of the following best explains why consumers have greater power and control in today’s marketplace?

A) The production concept and competition have lowered prices.

B) Implementation of the product concept has resulted in continually improving products.

C) Customer-driving marketing creates products and services that meet customers’ future needs.

D) More companies are implementing societal marketing and weighing long-run costs and benefits.

E) Through new communication technologies, customers have more access to information and more methods of sharing their opinions with other customers.

Answer: E

AACSB: Information technology

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Complex

80) Contemporary marketing practice is the responsibility of which group or groups of organisational employees?

A) marketing and finance

B) sales and customer support

C) information technology

D) general management

E) All of the above.

Answer: E

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

81) In the contemporary environment, many companies find that they are competing for shares of flat or fading markets, and as a consequence must work to retain existing customers. Which of the following factors does NOT explain the intense competition for share of market?

A) changing consumer demographics

B) fluctuating economic conditions

C) more sophisticated competitors

D) overcapacity in some industries

E) All of the above.

Answer: E

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Complex

82) Amazon.com leverages relationships with its customers by offering them music, videos, gifts, toys, consumer electronics and office products, among other product items. Based on the customer’s prior purchase history, the company recommends related CDs, books or videos that might be of interest. This helps Amazon.com capture a greater \_\_\_\_\_\_\_\_.

A) value proposition

B) customer ownership

C) share of customer

D) social network

E) market share

Answer: C

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

83) Frequent flyer programs offered by airlines are an example of a \_\_\_\_\_\_\_\_.

A) frequency marketing program

B) basic customer relationship

C) club marketing program

D) consumer-generated marketing program

E) structural benefit provided for top customers

Answer: A

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

84) The ultimate aim of customer relationship management is to produce \_\_\_\_\_\_\_\_.

A) high customer equity

B) high current market share

C) steady sales volume

D) a reliable database

E) higher sales volume

Answer: A

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

85) A highly profitable, short-term customer is a \_\_\_\_\_\_\_\_.

A) true friend

B) butterfly

C) stranger

D) barnacle

E) true believer

Answer: B

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

86) The text classifies customers into four relationship groups, according to the customers’ profitability and projected loyalty. \_\_\_\_\_\_\_\_ are the customers with the highest profit potential and strong loyalty.

A) Barnacles

B) Strangers

C) Butterflies

D) True friends

E) Big fish

Answer: D

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

87) \_\_\_\_\_\_\_\_ is the total combined customer lifetime values of all the company’s current and potential customers.

A) Share of customer

B) Customer lifetime value

C) Customer equity

D) Profitability

E) Share of market

Answer: C

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

88) The final step in the marketing process is \_\_\_\_\_\_\_\_.

A) capturing value from customers

B) creating customer loyalty

C) creating customer lifetime value

D) understanding the marketplace

E) designing a customer-driven marketing strategy

Answer: A

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

89) Building and maintaining profitable value-laden relationships with 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

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

90) When the economy tightens, customer loyalty and customer retention become \_\_\_\_\_\_\_\_ for marketers.

A) more important

B) less important

C) impossible

D) long-term but not short-term goals

E) short-term but not long-term goals

Answer: A

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

91) The cost of attracting new customers is thought to be \_\_\_\_\_\_\_\_ than the cost of retaining existing customers.

A) two times higher

B) five times higher

C) ten times higher

D) twenty times higher

E) twenty-five times higher

Answer: B

AACSB: Written and oral communication

Topic: Capturing value from customers

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

92) Which of the following has helped to move old marketing practices to newer, customer-engagement marketing efforts?

A) Increased perceived value

B) Customer relationship management software

C) Digital and social media

D) Customer satisfaction surveys

E) Globalisation

Answer: C

AACSB: Information technology

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

93) Which of the following is one of the reasons customer-engagement marketing has become more meaningful to organisations and consumers?

A) Consumers are utilising partner relationship tools more often

B) Customer life-time value is increased

C) Rapid globalisation

D) Consumers have more information

E) It is easier to practice sustainability

Answer: D

AACSB: Information technology

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

94) How can an organisation increase brand engagement?

A) Use Twitter to develop a new ad campaign

B) Reinforce societal marketing concepts

C) Develop a new strategy for the production concept

D) Emphasize demarketing

E) Incorporate digital and social media relationship tools in to the marketing efforts

Answer: D

AACSB: Information technology

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

95) If a product’s performance falls short of the customer’s expectations, the buyer will be dissatisfied.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

96) In its broadest sense, customer relationship management (CRM) is a customer data management activity.

A) True

B) False

Answer: B

AACSB: Information technology

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

97) Delivering superior customer value and customer satisfaction are the two keys to building lasting customer relationships.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

98) Customer-perceived 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.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

99) Customer-perceived value depends on the product’s perceived performance relative to a buyer’s expectations.

A) True

B) False

Answer: B

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

100) A customer-centred organisation seeks to maximise customer satisfaction.

A) True

B) False

Answer: B

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Complex

101) New communication technologies create challenges as well as advantages for marketers.

A) True

B) False

Answer: A

AACSB: Information technology

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Complex

102) It is cheaper for a company to acquire new customers than to maintain relationships with current customers.

A) True

B) False

Answer: B

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

103) The relationship segment known as ‘butterflies’ are profitable, but not loyal. Marketers should engage in efforts to convert butterflies into loyal customers.

A) True

B) False

Answer: B

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

104) Beyond offering consistently high value and satisfaction, marketers can use specific marketing tools to develop stronger bonds with consumers.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

105) A company with many low-margin customers may seek to develop *basic relationships* with customers while companies operating in markets with few customers and high margins want to create *full partnerships* with key customers.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

106) Specific marketing tools designed to build and enhance customer relationships include club marketing programs and frequency programs.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

107) Today, most firms continue to practice mass marketing.

A) True

B) False

Answer: B

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

108) Modern thinking is that marketing is done only by marketing, sales and customer-support personnel.

A) True

B) False

Answer: B

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

109) Partner relationship management involves building relationships with employees and customers but not suppliers.

A) True

B) False

Answer: B

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

110) A firm has high customer equity when it has a high proportion of loyal, profitable customers.

A) True

B) False

Answer: A

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

**Write the word or phrase that best completes each statement or answers the question.**

111) Customer-perceived \_\_\_\_\_\_\_\_ is the difference between A) the values the customer gains from owning and using a product, and B) the costs of obtaining the product.

Answer: value

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

112) The key to creating excitement in a market offering, such as sport, is \_\_\_\_\_\_\_\_ and interactivity.

Answer: involvement

AACSB: Analytical thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Complex

113) A company with many low-margin customers may seek to develop \_\_\_\_\_\_\_\_ *relationships* with customers while companies operating in markets with few customers and high margins want to create \_\_\_\_\_\_\_\_ *partnerships* with key customers.

Answer: basic; full

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

114) Customer \_\_\_\_\_\_\_\_ depends on the product’s perceived performance relative to a buyer’s expectations.

Answer: satisfaction

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

**Write your answer on a separate sheet of paper.**

115) One of the major developments in marketing can be summed up in one word: relationships. Define customer relationship management and its associated tools and levels of relationships.

Answer:

Customer Relationship Management (CRM) is the process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. A company with mostly low-margin customers is likely to seek basic relationships, using brand-building advertising and sales promotion. An organisation with few customers and high margins, on the other hand, will work to create key partnerships with select customers. To create stronger bonds with customers, some marketers use tools such as financial benefits or rewards based on frequency of purchase. Other tools include social benefits, like offering key customers the opportunity to network and create communities through club marketing programs. 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.

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

116) Although the quest for customer delight may be a worthy marketing goal, in practice it can be difficult to sustain in the long term. Explain.

Answer:

Customer delight occurs when the delivered performance exceeds customer expectation. It is relatively easy to increase customer satisfaction in the short term by simple strategies such as lowering its price or increasing its services. But this may result in lower profits in the long term since lower prices reduce margins and increased service levels add to operating costs.

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

117) Briefly outline the advantages of customer satisfaction.

Answer:

The advantages of customer satisfaction are: that customers are more likely to make repeat purchases, more willing to engage in cross-purchasing, more likely to become loyal customers, more willing to become marketing partners or ‘customer evangelists’ who spread the word about their good experiences to others.

AACSB: Written and oral communication

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

118) In a short essay, discuss the opportunities and advantages that new communication technologies have created for marketers.

Answer:

Through the Internet and related technologies, people can now interact in direct and surprisingly personal ways with large groups of others, from neighbours within a local community to people across the world. With communication technologies such as e-mail, blogs, web sites, online communities, online social networks and Twitter, today’s marketers incorporate interactive approaches that help build targeted, two-way customer relationships. Marketers can create deeper consumer involvement and a sense of community surrounding a brand, making a brand a meaningful part of consumers’ conversations and lives. However, while new communication tools create relationship-building opportunities for marketers, they also create challenges. They give consumers a greater voice, and therefore greater power and control in the marketplace. Today’s consumers have more information about brands than ever before, and they have a wealth of platforms for airing and sharing their brand views with other consumers. This benefits companies when views of its products are positive, but can be damaging when customers share stories of negative experiences with a company’s products.

AACSB: Information technology

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

119) Define customer equity and explain why it is important to a company.

Answer:

Customer equity is the sum of the lifetime values of all a company’s current and potential customers. Customer equity is dependent upon customer loyalty from a firm’s profitable customers. Because customer equity is a reflection of a company’s potential future revenue, profit and customer equity, companies must manage it carefully. Customers should be treated as assets that need to be maximised.

AACSB: Analytical thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

120) In a short essay, describe and compare the four types of customers classified by their potential profitability to an organisation. Identify how an organisation should manage each type of customer.

Answer:

The four types of customers are strangers, butterflies, true friends and barnacles. ***Strangers*** have low potential profitability and loyalty. A company’s offerings do not fit well with a stranger’s wants and demands. Companies should not invest in building a relationship with this type of customer. Another type of customer in which a company should not invest is the ‘barnacle’. ***Barnacles*** are highly loyal but not very profitable because there is a limited fit between their needs and the company’s offerings. The company might be able to improve barnacles’ profitability by selling them more, raising their fees or reducing service to them. However, if they cannot be made profitable, they should be ‘fired’. Like strangers, ***butterflies*** are not loyal. However, they are potentially profitable because there is a good fit between the company’s offerings and their needs. Like real butterflies, this type of customer will come and go without becoming a permanent, loyal consumer of a company’s products. Companies should use promotional blitzes to attract these customers, create satisfying and profitable transactions with them, and then cease investing in them until the next time around. The final type of customers is ***true friends***; they are both profitable and loyal. There is a strong fit between their needs and the company’s offerings, so the company should make continuous relationship investments in an effort to go beyond satisfying and to delight these customers. A company should try to delight true friends so they will tell others about their good experiences with the company.

AACSB: Analytical thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

121) Explain why a supermarket owner might consider customer lifetime value when a disgruntled customer leaves the store dissatisfied.

Answer:

Customer lifetime value is the entire stream of purchases a customer would make over a lifetime. If a supermarket customer is dissatisfied and decides to shop for his or her weekly groceries elsewhere, the owner does not lose only the profit from one week’s worth of groceries. According to Stew Leonard, a supermarket chain owner featured in the text, the

average weekly spend on groceries for 50 weeks a year is around $100 p.w., equivalent to approximately $5000 per customer per year. Over the length of time that a customer normally remains loyal to a supermarket, say 10 years, the lifetime value translates into $50,000 of potential lost revenue. When a dissatisfied customer takes their business elsewhere, the supermarket loses the profits for each and every week’s worth of groceries for that customer’s expected lifetime.

AACSB: Reflective Thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

122) Scouts Australia is a not for profit organisation that offers young Australians, aged 6 to 25 years, fun and challenging opportunities to grow and develop through adventure and activities. While Scouts is the largest youth movement in the nation with some 68,000 members, Scouts has little difficulty attracting new members. However, for some time Scouts has been aware that it experiences difficulties retaining members for more than a few years. Member churn is especially noticeable in the older age groups to the point where it is difficult to encourage members to take up leadership positions within the organisation. Using principles of customer relationship management outlined in Chapter 1 combined with your creativity and general knowledge, suggest specific strategies that Scouts could use to improve its current member retention rates.

Answer:

In order to improve member retention rates, Scouts could devise strategies that deliver improvements to the perceived value, strengthen bonds between the organisation and members and/or implement strategic partnerships that deliver increased value. ***(1) Perceived Value***. There may be relatively few opportunities to improve perceived value since the monetary cost of joining is very low and the activities offered are the most diverse of any youth group.

***(2) Strengthen Bonds.*** There may be greater opportunities to strengthen emotional or structural bonds between Scouts and individual members. For example, Scouts could offer educational scholarships to experienced members who are willing to remain with the movement and serve in leadership roles.

***(3) Strategic Partnerships.*** Scouts could also investigate strategic partnerships with retailers, especially those that offer a good fit with scouting activities and vision. For example, Scouts could form an alliance with major recreational, camping or sporting goods retail chains, with a view to having the store offer discounts to Scouts’ members on presentation of a Scouts’ membership or voucher. Such an alliance would offer increased value to Scouts members but would require Scouts management to negotiate a formal partnership.

AACSB: Analytical thinking

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Complex

123) Discuss how organisations use digital and social media marketing to engage consumers.

Answer:

The consumer love affair with digital and mobile technology makes it fertile ground for marketers trying to engage customers. So it is no surprise that the internet and rapid advances in digital and social media have taken the marketing world by storm. Digital and social media marketing involves using digital marketing tools, such as websites, social media, mobile ads and apps, online video, email, blogs and other digital platforms, to engage consumers anywhere, anytime via their computers, smartphones, tablets, internet-ready TVs and other digital devices. At the most basic level, marketers set up company and brand websites that provide information and promote the company’s products. Many companies also set up branded community sites, where customers can congregate and exchange brand-related interests and information. Beyond brand websites, most companies are also integrating social and mobile media into their marketing mixes.

AACSB: Information technology

Topic: Engaging customers and managing customer relationships

Objective: LO 1.4 Discuss customer relationship management, and identify strategies for creating value for customers and capturing value from customers in return.

Difficulty: Moderate

**Choose the one alternative that best completes the statement or answers the question.**

124) Selecting which segments of a population of customers to serve is called \_\_\_\_\_\_\_\_.

A) market segmentation

B) market positioning

C) customisation

D) target marketing

E) choosing a value proposition

Answer: D

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate

125) Which of the following is most likely true of a global firm?

A) A global firm typically operates from one country.

B) A global firm engages in joint partnerships overseas.

C) A global firm sees the world as many different markets.

D) A global firm manufactures and markets goods wherever it can do the best job.

E) None of the above.

Answer: D

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate

126) According to the text, the three most commonly used measures of marketing performance are \_\_\_\_\_\_\_\_.

A) sales, market share and profits

B) customer lifetime value, share of relationships and customer equity

C) share of distribution, share of voice and share of wallet

D) share of volume, share of value and brand equity

E) None of the above.

Answer: A

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate

127) The first four steps of the marketing process focus on \_\_\_\_\_\_\_\_.

A) understanding the market

B) delivering customer service

C) creating value for customers

D) understanding customer demands and needs

E) capturing value from customers

Answer: C

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate

128) The social responsibility and environmental movements are expected to \_\_\_\_\_\_\_\_ in the future.

A) demand more from companies

B) demand less from companies

C) move away from sustainable marketing

D) move toward partner relationship management

E) None of the above.

Answer: A

AACSB: Ethical understanding and reasoning

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate

129) A church targeting different demographic groups to increase attendance is an example of \_\_\_\_\_\_\_\_.

A) for-profit marketing

B) not-for-profit marketing

C) ethics in marketing

D) societal marketing

E) None of the above.

Answer: B

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate

130) During the recent economic downturn, marketers have been emphasising the \_\_\_\_\_\_\_\_ of their products more than ever.

A) image

B) value

C) safety

D) uniqueness

E) quality

Answer: B

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate

131) Income distribution generally remains constant across different types of economies.

A) True

B) False

Answer: False

AACSB: Reflective Thinking

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate

132) Similar consumer needs around the world suggest that a strategy of adapted global marketing is appropriate for most international firms.

A) True

B) False

Answer: False

AACSB: Analytical thinking

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate

133) Collectively, global brands account for the overwhelming majority of consumers’ purchases.

A) True

B) False

Answer: False

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate

134) The Internet is forcing companies toward more standardized international pricing.

A) True

B) False

Answer: True

AACSB: Analytical thinking

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate

135) Global companies recruit management from many countries, buy components and supplies where they cost the least, and invest where the expected returns are greatest.

A) True

B) False

Answer: True

AACSB: Ethical understanding and reasoning

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate

136) International marketing is being greatly impacted by new technologies.

A) True

B) False

Answer: True

AACSB: Information technology

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Basic

**Write the word or phrase that best completes each statement or answers the question.**

137) Marketing is an activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings to customers, clients, partners and society at large while ensuring long-term \_\_\_\_\_\_\_\_\_\_ for the firm.

Answer: profitability

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Complex

138) One of the challenges facing marketers as we move into the future is changing customer \_\_\_\_\_\_\_\_ and orientations.

Answer: values

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Complex

139) Organisations such as universities, public museums and symphony orchestras aim to make \_\_\_\_\_\_\_\_ to continue their operations but do not seek to make profits for shareholders.

Answer: surpluses

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Complex

140) The key to developing a(n) \_\_\_\_\_\_\_\_ system is to identify a group of indicators that aid in managing the business and enable accurate cash flow predictions into the future.

Answer: metrics

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Complex

141) One of the challenges facing marketers as we move into the future is market \_\_\_\_\_\_\_\_ in many industries.

Answer: maturity

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Complex

**Write your answer on a separate sheet of paper.**

142) What are the major factors that a company should consider when deciding which international markets to enter?

Answer:

Before going abroad, a company should try to define its international marketing objectives and policies. It should decide what volumeof foreign sales it wants. Most companies start small when they go abroad. Some plan to stay small, seeing international sales as a small part of their business. Other companies have bigger plans, however, seeing international business as equal to or even more important than their domestic business.

The company needs to choose in how manycountries it wants to market. Companies must be careful not to spread themselves too thin or expand beyond their capabilities by operating in too many countries too soon. Next, the company needs to decide on the typesof countries to enter. A country’s attractiveness depends on the product, geographical factors, income and population, political climate, and other considerations. In recent years, many major new markets have emerged, offering both substantial opportunities and daunting challenges.

After listing possible international markets, the company must carefully evaluate each one. Possible global markets should be ranked on several factors, including market size, market growth, the cost of doing business, competitive advantage, and risk level. The goal is to determine the potential of each market. Then the marketer must decide which markets offer the greatest long-run return on investment.

AACSB: Written and oral communication

Topic: So, what is marketing? Pulling it all together

Objective: LO 1.5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Difficulty: Moderate