

Experiencing MIS, 9e (Kroenke)
Chapter Extension 3 Database Marketing

1) Which of the following marketing techniques refers to the application of business intelligence systems to the planning and execution of marketing programs?

- A) ambush marketing
- B) viral marketing
- C) database marketing
- D) guerrilla marketing

Answer: C

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss best practices for using and managing databases.

Learning Obj: LO CE3-1: What Is a Database Marketing Opportunity?

Classification: Concept

2) Databases are not a key component of database marketing.

Answer: FALSE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss best practices for using and managing databases.

Learning Obj: LO CE3-1: What Is a Database Marketing Opportunity?

Classification: Concept

3) Data mining techniques are essential for database marketing.

Answer: TRUE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss best practices for using and managing databases.

Learning Obj: LO CE3-1: What Is a Database Marketing Opportunity?

Classification: Concept

4) What is database marketing?

Answer: Database marketing is the application of business intelligence systems to the planning, execution, and assessment of marketing programs. Databases are a key component of database marketing, but data mining techniques are also very important.

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss best practices for using and managing databases.

Learning Obj: LO CE3-1: What Is a Database Marketing Opportunity?

Classification: Concept

5) _____ is a way of analyzing and ranking customers according to their purchasing patterns.

- A) Composite forecast
- B) RFM analysis
- C) Regression analysis
- D) Delphi technique

Answer: B

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss best practices for using and managing databases.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

6) Which of the following is the first step in the process of producing an RFM score?

- A) dividing the customers according to the amount spent on purchases
- B) sorting customer purchase records based on the purchase frequency
- C) sorting customer purchase records by the date of most recent purchase
- D) dividing customers into two groups based on the gender and giving each group a score

Answer: C

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss best practices for using and managing databases.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

7) In RFM analysis, an R score of 5 shows that _____.

- A) a customer has not made any recent purchases
- B) a customer has bought the most expensive items
- C) a customer has frequently ordered expensive items
- D) a customer has purchased the least expensive items

Answer: A

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

8) In RFM analysis, an F score of 1 shows that _____.

- A) a customer has bought the least expensive items
- B) a customer has frequently placed orders
- C) a customer has always bought the most expensive items
- D) a customer has rarely made a purchase

Answer: B

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

9) In RFM analysis, customers who have bought the least expensive items are indicated by an M score of _____.

- A) 2
- B) 5
- C) 1
- D) 4

Answer: B

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

10) Cheryl Inc., a leading cosmetics manufacturer, wants to identify its most valued customers. Each customer is assigned an RFM score based on their purchasing patterns. One of their valued customers has an RFM score of 545. In this case, the ideal action for Cheryl's sales team is to _____.

- A) up-sell more expensive goods to this customer
- B) contact this customer immediately
- C) not waste any time on this customer
- D) set up an automated contact system for this customer

Answer: C

AACSB: Reflective Thinking

Difficulty: 3: Challenging

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Application

11) Which of the following RFM scores refers to the most valuable customer?

- A) 111
- B) 555
- C) 123
- D) 333

Answer: A

AACSB: Information Technology

Difficulty: 2: Moderate

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

12) The RFM score is obtained by ranking customers based on the positive feedback for a product after purchasing it.

Answer: FALSE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

13) RFM analysis is a complex technique that is difficult to implement.

Answer: FALSE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

14) A high F score denotes that the customer has bought an expensive item recently.

Answer: FALSE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

15) Customers with an RFM score of 555 are highly valued by organizations.

Answer: FALSE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

16) The frequency of customer purchases is not a determining factor for RFM scores.

Answer: FALSE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

17) RFM analysis can be a useful tool to determine the best customers based on the frequency of their purchases.

Answer: TRUE

AACSB: Information Technology

Difficulty: 2: Moderate

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

18) RFM scores are basically beneficial to salespeople, as it gives a clear picture of a customer's buying pattern.

Answer: TRUE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

19) A reporting system that generates RFM data can be automated.

Answer: TRUE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

20) Describe the process of conducting RFM analysis.

Answer: RFM analysis is a way of analyzing and ranking customers according to their purchasing patterns. It is a simple technique that considers how recently (R) a customer has ordered, how frequently (F) a customer orders, and how much money (M) the customer spends per order.

To produce an RFM score, the program first sorts customer purchase records by the date of most recent (R) purchase. In a common form of this analysis, the program then divides the customers into five groups and gives customers in each group a score of 1 to 5. The 20 percent of the customers having the most recent orders are given an R score of 1, the 20 percent of the customers having the next most recent orders are given an R score of 2, and the last 20 percent are given an R score of 5.

The program then re-sorts the customers on the basis of how frequently they order. The 20 percent of the customers who order most frequently are given an F score of 1, the next 20 percent of most frequently ordering customers are given a score of 2, and the least frequently ordering customers are given an F score of 5.

Finally, the program sorts the customers again according to the amount spent on their orders. The 20 percent who have ordered the most expensive items are given an M score of 1, the next 20 percent are given an M score of 2, and the 20 percent who spend the least are given an M score of 5.

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

21) Which of the following is a data mining technique for determining sales patterns?

A) RFM analysis

B) market-basket analysis

C) composite analysis

D) regression analysis

Answer: B

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss best practices for using and managing databases.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

22) In marketing transactions, the fact that customers who buy product X also buy product Y creates a _____ opportunity.

- A) relationship selling
- B) cross-selling
- C) value added selling
- D) persuasive selling

Answer: B

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

23) In market-basket terminology, the term used to represent the probability that two items will be purchased together is _____.

- A) confidence
- B) support
- C) cohesion
- D) assurance

Answer: B

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

24) In market-basket terminology, a conditional probability estimate is referred to as _____.

- A) support
- B) cohesion
- C) confidence
- D) chance

Answer: C

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

25) In market-basket terminology, the ratio of confidence to the base probability of buying an item is called _____.

- A) cohesion
- B) support
- C) confidence
- D) lift

Answer: D

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

26) _____ shows how much the base probability increases or decreases when other products are purchased.

- A) Lift
- B) Support
- C) Confidence
- D) Cohesion

Answer: A

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

27) A market-basket analysis is used to explore cross-selling opportunities.

Answer: TRUE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

28) A market-basket analysis shows the products that customers tend to buy together.

Answer: TRUE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

29) A cross-selling opportunity is created when a consumer purchases only a single product.

Answer: FALSE

AACSB: Analytical Thinking

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

30) The more frequently two items occur in the same transaction, the higher the probability of them being purchased together.

Answer: TRUE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

31) The ratio of confidence to the base probability of buying an item is called support.

Answer: FALSE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

32) What is a market-basket analysis?

Answer: A market-basket analysis is a data mining technique for determining sales patterns. A market-basket analysis shows the products that customers tend to buy together. This gives companies an opportunity to cross-sell.

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

33) Define the three market-basket terminologies: *support*, *confidence*, and *lift*.

Answer: In market-basket terminology, support is the probability that two items will be purchased together. A conditional probability estimate is called the confidence. The ratio of confidence to the base probability of buying an item is called lift. Lift shows how much the base probability increases or decreases when other products are purchased.

AACSB: Analytical Thinking

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

34) Which of the following is the basic idea of the decision tree technique?

A) to perform an RMF analysis and rank consumers according to their purchasing patterns

B) to select attributes that are most useful for classifying entities on some criterion

C) to produce computer programs for information systems

D) to use the minimum difference among groups created by the decision tree algorithm

Answer: B

AACSB: Information Technology

Difficulty: 2: Moderate

Course LO: Explain how information systems can be used to assist in decision making.

Learning Obj: LO CE3-4: How Do Decision Trees Identify Market Segments?

Classification: Concept

35) Which of the following techniques uses a hierarchical arrangement of criteria to predict a classification or value?

A) market-basket analysis

B) RFM technique

C) Cooke method

D) decision tree

Answer: D

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-4: How Do Decision Trees Identify Market Segments?

Classification: Concept

36) Which of the following statements is TRUE about decision trees?

- A) Few decision trees can be transformed into a set of If/Then rules.
- B) Decision tree analysis is a supervised data mining technique.
- C) The algorithms used in decision trees are similar to each other.
- D) Decision tree programs produce computer programs for trees set up by analysts.

Answer: A

AACSB: Information Technology

Difficulty: 2: Moderate

Course LO: Explain how information systems can be used to assist in decision making.

Learning Obj: LO CE3-4: How Do Decision Trees Identify Market Segments?

Classification: Concept

37) Decision tree analysis is a data mining technique that requires a high degree of supervision.

Answer: FALSE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Explain how information systems can be used to assist in decision making.

Learning Obj: LO CE3-4: How Do Decision Trees Identify Market Segments?

Classification: Concept

38) Groups created by decision tree algorithms are as different from each other as possible.

Answer: TRUE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Explain how information systems can be used to assist in decision making.

Learning Obj: LO CE3-4: How Do Decision Trees Identify Market Segments?

Classification: Concept

39) A minimum difference among groups is used as the criterion for constructing the decision tree.

Answer: FALSE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Explain how information systems can be used to assist in decision making.

Learning Obj: LO CE3-4: How Do Decision Trees Identify Market Segments?

Classification: Concept

40) What are decision trees? How do they classify people into groups?

Answer: A decision tree is a hierarchical arrangement of criteria that predicts a classification or value. Decision tree analysis is an unsupervised data mining technique. An analyst sets up a computer program and provides the data to analyze, and the decision tree program produces the tree. The basic idea of a decision tree is to select attributes that are most useful for classifying entities on some criterion.

The user should input data about different attributes into the decision tree program. The program then analyzes all of the attributes and selects an attribute that creates the most disparate groups. The logic is that the more different the groups, the better the classification will be. A decision tree program creates groups that are as pure as possible. A common business application of decision trees is to classify loans by likelihood of default.

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Explain how information systems can be used to assist in decision making.

Learning Obj: LO CE3-4: How Do Decision Trees Identify Market Segments?

Classification: Concept

41) Jason has so many customers he has lost count of them. One of his employee's upset a loyal customer and Jason did not know about it. Jason could use some _____.

A) ambush marketing

B) viral marketing

C) database marketing

D) guerrilla marketing

Answer: C

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss best practices for using and managing databases.

Learning Obj: LO CE3-1: What Is a Database Marketing Opportunity?

Classification: Concept

42) A reporting system can generate the RFM data, but it can only be delivered by e-mail.

Answer: FALSE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

43) Companies need to know what problem they are solving before they begin to mine data.

Answer: TRUE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

44) Michelle noticed a trend of customer's buying kale and frozen fruit. She just discovered a _____ opportunity.

- A) cross-selling
- B) lift
- C) logical
- D) frequency

Answer: A

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

45) Decision trees can only be used for one type of classification.

Answer: FALSE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Explain how information systems can be used to assist in decision making.

Learning Obj: LO CE3-4: How Do Decision Trees Identify Market Segments?

Classification: Concept

46) In the Carbon Creek Gadroons example might Mary would have known has she been using a database marketing system? Choose the best example dealing with customer service.

- A) How many clients she serviced.
- B) What was on sale in her nursery.
- C) That her best customer, Tootsie, had stopped shopping with her.
- D) How many plants were in inventory.

Answer: C

AACSB: Information Technology

Difficulty: 2: Moderate

Course LO: Discuss best practices for using and managing databases.

Learning Obj: LO CE3-1: What Is a Database Marketing Opportunity?

Classification: Concept

47) In market-based terminology _____ is the probability that two items will be purchased together.

- A) support
- B) confidence
- C) lift
- D) mask

Answer: A

AACSB: Information Technology

Difficulty: 2: Moderate

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-2: How Does RFM Analysis Classify Customers?

Classification: Concept

48) What is the first action a program must do to produce an RFM score?

- A) re-sorts on frequency
- B) sorts the customers purchasing record
- C) sorts by the amount spent
- D) determines customer rank

Answer: B

AACSB: Information Technology

Difficulty: 2: Moderate

Course LO: Discuss the role of information systems in supporting business processes.

Learning Obj: LO CE3-3: How Does Market-Basket Analysis Identify Cross-Selling Opportunities?

Classification: Concept

49) Decision trees are difficult to understand.

Answer: FALSE

AACSB: Information Technology

Difficulty: 1: Easy

Course LO: Explain how information systems can be used to assist in decision making.

Learning Obj: LO CE3-4: How Do Decision Trees Identify Market Segments?

Classification: Concept