**Chapter 4: The Direct Response and Database Foundations of Internet Marketing**

**MULTIPLE CHOICE**

1. The Four I’s of Internet marketing include:

|  |  |
| --- | --- |
| a. | information-driven, intuitive. |
| b. | integrated, immediate. |
| c. | involving, interactive. |

ANS: C REF: p. 82

2. The basic direct-response strategies are:

|  |  |
| --- | --- |
| a. | attraction, commitment, and loyalty. |
| b. | acquisition, conversion, and retention. |
| c. | attraction, conversion, and retention. |

ANS: B REF: p. 85

3. Important characteristics of a direct-response offer include:

|  |  |
| --- | --- |
| a. | incentive to encourage action. |
| b. | a call to action. |
| c. | both of the above. |

ANS: C REF: p. 86

4. Objectives of a direct-response marketing program can include:

|  |  |
| --- | --- |
| a. | generating sales leads. |
| b. | creating awareness of a product or service. |
| c. | developing brand image. |

ANS: A REF: pp. 86-87

5. Which of the following is a true statement about the front end of marketing?

|  |  |
| --- | --- |
| a. | It includes the activities that are most likely to produce satisfied customers. |
| b. | It describes marketing activities that take place prior to the product being introduced to the market. |
| c. | Front-end activities are the most visible aspects of marketing. |

ANS: C REF: p. 88

6. Among the uses of CLV data to Harrah's is:

|  |  |
| --- | --- |
| a. | to drive programs that increase customer value. |
| b. | to provide a powerful way to segment markets. |
| c. | both the above. |

ANS: C REF: p. 106

7. True statements about testing in the Internet environment are:

|  |  |
| --- | --- |
| a. | testing requires a substantial amount of marketing research. |
| b. | testing provides information that is not ordinarily available to marketers in the mass media environment. |
| c. | both of the above. |

ANS: B REF: p. 96

8. \_\_\_\_\_\_\_\_ is a simple type of test frequently used in various marketing media.

|  |  |
| --- | --- |
| a. | Control group |
| b. | Factorial design |
| c. | A/B split |

ANS: C REF: p. 96

9. Which of the following is a true statement about data mining?

|  |  |
| --- | --- |
| a. | Data mining can uncover previously unsuspected patterns in the data. |
| b. | Marketers require the assistance of statisticians to get information from data mining routines. |
| c. | Data mining routines were developed specifically to deal with the massive amounts of data available from the Internet. |

ANS: A REF: p. 106

10. Among the interactive strategies marketers can pursue are:

|  |  |
| --- | --- |
| a. | information, transaction, and personalization. |
| b. | transaction, personalization, and collaboration. |
| c. | interaction, profiling, and customization. |

ANS: A REF: p. 109

11. Important characteristics of a direct-response offer include:

|  |  |
| --- | --- |
| a. | always having a purchase as the objective. |
| b. | deferred action on the part of the prospective customer. |
| c. | a clear call to action. |

ANS: C REF: p. 86

12. \_\_\_\_\_\_\_\_ is the term used to describe the marketing activities that involve fulfillment and customer service:

|  |  |
| --- | --- |
| a. | Back end |
| b. | Inventory management |
| c. | Front end |

ANS: A REF: p. 88

13. Which of the following is a true statement about the front end of marketing?

|  |  |
| --- | --- |
| a. | It describes marketing activities that take place prior to the product being introduced to the market. |
| b. | It includes all the activities most likely to produce satisfied customers. |
| c. | The front end involves customer acquisition activities. |

ANS: C REF: p. 88

14. \_\_\_\_\_\_\_\_ is the concept that helps the marketer understand how much it costs to acquire, maintain, and service a customer.

|  |  |
| --- | --- |
| a. | Market segmentation |
| b. | Customer lifetime value |
| c. | Lead generation |

ANS: B REF: p. 90

15. An important use of customer lifetime value data is:

|  |  |
| --- | --- |
| a. | as a replacement for market segmentation. |
| b. | to determine the allocation of marketing resources to marketing programs. |
| c. | to decrease the need for targeting specific customer groups. |

ANS: B REF: p. 94

16. Which of the following is **not** a true statement about CLV?

|  |  |
| --- | --- |
| a. | It is the net present value of the net margin minus the cost of serving a specific customer. |
| b. | It can be used only by traditional direct marketers. |
| c. | It requires an extensive customer database. |

ANS: B REF: p. 92

17. The “best customer model: called RFM:

|  |  |
| --- | --- |
| a. | helps marketers determine what kinds of new customers to acquire. |
| b. | is a multiplicative model composed of recency, frequency and monetary value. |
| c. | both of the above. |

ANS: C REF: p. 94

18. Benefits of having and utilizing a marketing database include:

|  |  |
| --- | --- |
| a. | not having to perform statistical analysis on the data. |
| b. | being able to construct customer profiles. |
| c. | having a single customer database that includes information from other functional areas of the business. |

ANS: B REF: p. 105

19. The set of tools used to extract useful marketing information quickly from their database is called:

|  |  |
| --- | --- |
| a. | statistical program analysis. |
| b. | automated profiling. |
| c. | data mining. |

ANS: C REF: p. 106

20. Developing and using a customer database allowed Harrah's to:

|  |  |
| --- | --- |
| a. | locate the data they needed to execute pre-existing strategies. |
| b. | find good locations for new casinos. |
| c. | develop a model of how much a customer might be expected to spend. |

ANS: C REF: p. 106, 107

21. A hierarchy of interactive activities suggests that \_\_\_\_\_\_\_\_ is a customer-focused activity that can be pursued after a foundation of less information-intensive activities is built.

|  |  |
| --- | --- |
| a. | personalization |
| b. | market segmentation |
| c. | building a customer database |

ANS: A REF: p. 109

22. NIKEiD is an example of:

|  |  |
| --- | --- |
| a. | an interactive website. |
| b. | use of a customer database. |
| c. | product customization. |

ANS: C REF: p. 110

23. The type of firm that typically has established capabilities in fulfillment and customer service:

|  |  |
| --- | --- |
| a. | manufacturers. |
| b. | direct marketers. |
| c. | internet marketers. |

ANS: B REF: p. 88

**TRUE/FALSE**

1. The interactivity of the Internet is important to its usefulness as a direct-response medium.

ANS: T REF: p. 82

2. It is not important whether the Internet is recognized as a direct-response medium or not.

ANS: F REF: p. 82

3. The immediacy of the Internet can be employed to satisfy the consumer's desire for instant gratification.

ANS: T REF: p. 82

4. A direct-response offer must include a call to action.

ANS: T REF: p. 86

5. It is impossible to calculate the value of a fan on social media.

ANS: F REF: p. 95

6. A "sticky" website is one that can last for a considerable period of time without major changes and updates.

ANS: F REF: p. 86

7. The "back end" refers to business functions like warehousing and distribution that are not a concern of the marketer.

ANS: F REF: p. 85

8. CLV is essentially the NPV of all sales to a given customer.

ANS: F REF: p. 92

9. In CLV calculations the discount rate is based solely on the current interest rate.

ANS: F REF: p. 92

10. Marketers should be attempting to acquire more new customers like their best current customers.

ANS: T REF: p. 94

11. Response modeling is a form of predictive modeling.

ANS: T REF: p. 105

12. A data warehouse is a repository where data that is no longer current is stored.

ANS: F REF: p. 104

13. Data mining tools are designed to sift through large quantities of data looking for patterns of customer behavior.

ANS: T REF: p. 106

14. Information-driven marketing can be thought of as a process that permits interactions, transactions, personalization and customization.

ANS: T REF: p. 110

15. All offers are a form of sales promotion.

ANS: T REF: p. 85

**ESSAY**

1. The most effective Internet marketing programs make use of the Four I's. Identify each of them, carefully explain what it means and why it is important, and give an example of each in action in an Internet marketing program.

ANS:

The Four Is are:

* Interactive: two way dialog is a possible definition
* Information-driven: using data, not hunches, to drive marketing programs
* Immediate: a lot of opportunities for instant gratification on the web
* Involving: engaging is the trendy term

Students can come up with many examples, real or hypothetical, to show how useful these ideas are.

REF: p. 82

2. Customer Lifetime Value is one of the most-discussed topics in marketing today. Explain what CLV means, the basic structure of a CLV calculation, and give one or more examples of how it can be used to improve marketing programs.

ANS:

The best short definition is probably "the net present value of a future revenue stream, less the costs of serving the customer."

I try to get students to remember the basic structure from the text:

Net Customer Revenue

Cost of Goods Sold

Cost of Servicing

× Cost of Capital/Discount Rate

= CLV

The Safeway example or the Facebook calculations in the chapter will be the easiest unless you have gone over other specific examples. The Harrah's example is not very detailed, but good students may recognize the importance of customer value in deciding what services and incentives to offer to gambling customers.

REF: pp. 91-95

3. The text suggests that, as marketers learn more about their customers, they can engage in programs of increasing complexity and effectiveness. Discuss this concept in detail.

ANS:

The easiest way for students to approach this would be the hierarchy of customer-focused strategies. That is intended to illustrate that more data allows for more targeted, focused, and perhaps complex marketing programs. The analytical hierarchy—profiling to segmentation to predictive modeling—represents another approach. Data increases relevance, which should lead to effectiveness. You might want to ask them to develop an example instead of just relying on concepts.

REF: p. 109