**Chapter 11: Customer Relationship Development and Retention Marketing**

**MULTIPLE CHOICE**

1. Among the arguments for the importance of customer retention are:

|  |  |
| --- | --- |
| a. | it costs at least seven times as much to acquire a new customer as it does to retain an existing one. |
| b. | a satisfied customer does not talk about the firm and product. |
| c. | reducing customer defections will increase sales, but not necessarily profits. |

ANS: A REF: p. 287

2. \_\_\_\_\_\_\_\_ is **not** a way in which relationship marketing differs from transactional marketing.

|  |  |
| --- | --- |
| a. | Networked organizations instead of hierarchical organizations |
| b. | Long term focus instead of short term perspective |
| c. | Customer dialog instead of isolated marketing research projects |

ANS: A REF: p. 290

3. \_\_\_\_\_\_\_\_ is one of the elements of the Peppers and Rogers CRM model.

|  |  |
| --- | --- |
| a. | Analysis |
| b. | Differentiation |
| c. | Involvement |

ANS: B REF: p. 293

4. The CRM process:

|  |  |
| --- | --- |
| a. | is driven by customer information. |
| b. | makes segmentation obsolete. |
| c. | is useful only for outbound marketing programs. |

ANS: A REF: p. 296

5. What are foundations of a CRM program?

|  |  |
| --- | --- |
| a. | Sales force automation and customer service |
| b. | Marketing and promotion |
| c. | Customer service and email marketing |

ANS: A REF: p. 291

6. Analytical CRM includes:

|  |  |
| --- | --- |
| a. | database enhancement. |
| b. | performance measurement. |
| c. | both of the above. |

ANS: C REF: p. 296

7. Integrating social media data into tactical CRM programs:

|  |  |
| --- | --- |
| a. | carries inherent privacy challenges. |
| b. | has been fully automated. |
| c. | involves collecting easily quantifiable data. |

ANS: A REF: p. 297

8. A/An \_\_\_\_\_\_\_\_ profile can be developed when a person registers on or buys something from a website.

|  |  |
| --- | --- |
| a. | anonymous |
| b. | identified |
| c. | statistical |

ANS: B REF: p. 302

9. Cisco’s success in customer reactivation depended upon:

|  |  |
| --- | --- |
| a. | collecting as much data as possible on each business person. |
| b. | contacting business professionals as individuals. |
| c. | developing registration forms. |

ANS: B REF: p. 304

10. The components of customer lifetime value include:

|  |  |
| --- | --- |
| a. | all revenue after the first year. |
| b. | growth in amount spent with the enterprise. |
| c. | spending transferred from competitors. |

ANS: B REF: p. 287

11. The customer lifecycle allows marketers to:

|  |  |
| --- | --- |
| a. | identify their best prospects. |
| b. | target lapsed customers and win back. |
| c. | both of the above. |

ANS: C REF: p. 294

12. Tesco’s Club card Program relies for its success upon:

|  |  |
| --- | --- |
| a. | data mining and segmentation. |
| b. | qualitative research. |
| c. | social media monitoring. |

ANS: A REF: p. 306

13. A CRM Vision includes using \_\_\_\_\_\_\_\_ to create a Seamless Customer Experience.

|  |  |
| --- | --- |
| a. | customer touchpoints and technology |
| b. | CRM failure rates |
| c. | the promise of CRM |

ANS: A REF: p. 312

14. Registration on a site can:

|  |  |
| --- | --- |
| a. | furnish data for personalization of communications. |
| b. | provide an email address for CRM contacts. |
| c. | both of the above. |

ANS: C REF: p. 302

15. Which of the following is a true statement about the CRM process?

|  |  |
| --- | --- |
| a. | It makes segmentation obsolete. |
| b. | It is driven by customer information. |
| c. | It is useful only for outbound marketing programs. |

ANS: B REF: p. 296

16. What functions do cookies perform in the targeting and personalization process?

|  |  |
| --- | --- |
| a. | Identify the visitor's e-mail address. |
| b. | Collect data about the visitor's activities on all websites. |
| c. | Store data that enables the site to deliver relevant content. |

ANS: C REF: pp. 301, 304

17. Among the reasons for the failure of CRM programs are:

|  |  |
| --- | --- |
| a. | lack of software applications needed to support CRM. |
| b. | lack of buy-in and leadership from top management. |
| c. | lack of understanding of the requirements of CRM. |

ANS: B REF: p. 311

18. \_\_\_\_\_\_\_\_ are a technology that broadens the ability to connect with consumers

|  |  |
| --- | --- |
| a. | Computer clips |
| b. | Mobile branded apps |
| c. | Content management Systems |

ANS: B REF: p. 307

19. Seamless customer experience refers to:

|  |  |
| --- | --- |
| a. | using the same technology in all marketing channels. |
| b. | equally satisfying experience at all customer touchpoints. |
| c. | offering different value propositions to different classes of customers. |

ANS: B REF: p. 311

20. Which of the following is a requirement for CRM success?

|  |  |
| --- | --- |
| a. | Focusing on market share |
| b. | Lowering the cost of customer service |
| c. | Capturing and using customer data |

ANS: C REF: p. 292

21. Marketing is evolving to become more \_\_\_\_\_\_\_\_ vs. \_\_\_\_\_\_\_\_ focused.

|  |  |
| --- | --- |
| a. | segment, acquisition |
| b. | product, customer |
| c. | retention, profitability |

ANS: B REF: p. 290

**TRUE/FALSE**

1. Enterprises need to allocate their resources to customer retention, not to customer acquisition.

ANS: F REF: p. 287

2. Increasing customer retention is important in increasing enterprise profitability.

ANS: T REF: p. 287

3. Customers only defect if they are not satisfied with the enterprise's products and services.

ANS: F REF: p. 287

4. The definition of a good customer is one who is profitable immediately upon acquisition.

ANS: F REF: p. 288

5. Relationship marketing requires a long-term focus, while transactional marketing tends to have a short term perspective.

ANS: T REF: p. 290

6. Moving from transactional to relationship marketing requires many changes, including changing the criteria by which success is measured.

ANS: T REF: p. 290

7. The Peppers and Rogers model of CRM downplays the role of the customer database in CRM.

ANS: F REF: p. 292

8. CRM is only a B2B concept because it includes sales force automation as a key component.

ANS: F REF: p. 292

9. Personalization can only be done after a person has registered on a website.

ANS: F REF: p. 301

10. Creating an anonymous customer profile generally requires the use of a cookie.

ANS: T REF: p. 301

11. The response of an anonymous visitor to a website cannot be tracked.

ANS: F REF: p. 301

12. Loyalty programs are limited in their uses to enterprises like airlines that sell high-value products.

ANS: F REF: p. 305

13. CRM cannot be implemented in B2B marketing because the field sales force owns customer relationships.

ANS: F REF: pp. 289-290

**ESSAY**

1. The text asserts that relationship marketing is a process not a project. Carefully explain the meaning of this statement and identify two specific implications for the way in which marketing programs are planned and executed.

ANS:

Students may use the graphic in Figure 11.7 to help them structure their answer. The important thing they should grasp is that it is a closed-loop process in which one CRM program provides feedback that improves the next CRM program. It is a knowledge-based, learning process. This table may require attention!

REF: p. 296

2. There are a number of differences between the product focused approach to marketing and the customer focused approach. Identify three areas in which there are differences between the two and be specific about the nature of the difference. Give an example for each, indicating how marketing would be carried out in the traditional approach versus the relational approach in each of the areas.

ANS: Figure 11.2 will help students structure their answer.

Product vs. customer focus

Transactions vs. relationships

Acquiring customers vs. retaining customers

Product profitability vs. customer profitability

Trial and error vs. test, measure and refine

Examples may be taken from the text, class discussion or personal experience.

REF: p. 290

3. Identify the steps in the targeting and personalization process, explaining the nature of each. Give an example of how an enterprise might carry out the process.

ANS:

The steps are from Figure 11.20:

* Develop customer (often segment) profiles
* Either identified or anonymous
* Use the profiles to drive marketing programs
* Track program results; revise content if necessary
* Analyze data and build more useful models
* Feed the additional data/use the improved models to drive future marketing programs

The ASPCA program is a good example; with a little imagination students can expand its lesson to further marketing programs. Tesco also provides a good example, although the fact that it is driven by the Club Card makes users identified from the beginning.

REF: p. 301

4. Explain how to facilitate a Seamless Customer Experience and give examples of what is required to do so.

ANS:

Figure 11.14 portrays that both touchpoints and technologies are necessary to create this experience.



REF: p. 312