

## Appendix B - Relationship Marketing and Customer Relationship Management (CRM)

1. What type of marketing involves the development, growth, and maintenance of cost-effective, high-value interactions with individual customers, suppliers, and other partners over time?

- a. relationship
- b. transaction-based
- c. internal
- d. community

ANSWER: a

2. Which marketing exchange remains largely transaction based?

- a. leasing a car
- b. hiring an accountant
- c. visiting a doctor
- d. purchasing real estate

ANSWER: d

3. How does relationship marketing view customers?

- a. as short-term buyers that provide quick profits
- b. as part of a one-time buyer–seller relationship
- c. as equal partners in a buyer–seller transaction
- d. as potential employees

ANSWER: c

4. Which statement best describes relationship marketing?

- a. It focuses on short-term, one-time exchanges with limited communications.
- b. Its only goal is “sell something—now.”
- c. It views customers as equal partners in buyer–seller transactions.
- d. It involves little or no ongoing relationship between the buyers and sellers.

ANSWER: c

5. What is a characteristic of relationship marketing?

- a. the short-term goal of creating an immediate sale
- b. orientation toward added value through superior customer service
- c. making purchases based on promotions and other inducements
- d. limited communication between buyer and seller

ANSWER: b

6. Which of the following is NOT a characteristic of relationship marketing?

- a. long-term orientation
- b. emphasis on retaining customers
- c. low-to-moderate customer contact
- d. high degree of customer commitment

ANSWER: c

7. What kind of commitment is necessary in relationship marketing?

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- a. a reduction in the use of technology in favour of one-on-one communication
- b. an emphasis on new customers
- c. a company-wide initiative
- d. conflict between buyers and the company

ANSWER: c

8. What is an organizational culture steeped in customer focus more likely to be?
- a. old-fashioned and traditional
  - b. subjected to high turnover because of disgruntled employees
  - c. targeting the profitability of new customers rather than trying to maintain present ones
  - d. relationship oriented rather than transaction based

ANSWER: d

9. What type of marketing is described as managerial actions that enable all members of an organization to understand, accept, and fulfill their respective roles in implementing marketing strategy?
- a. organizational
  - b. employee
  - c. strategic
  - d. internal

ANSWER: d

10. What does an internal marketing program attempt to create?
- a. satisfied employees
  - b. employees who view each other as competitors
  - c. firms that share resources with business partners
  - d. significant annual revenue for a company

ANSWER: a

11. What is the main objective of an internal marketing program?
- a. to share resources with business partners
  - b. to encourage employees to view each other as competitors
  - c. to create satisfied employees
  - d. to facilitate a vertical integration

ANSWER: c

12. Which of the following is NOT part of the relationship marketing continuum?
- a. focus on price
  - b. focus on social interaction
  - c. focus on customer integration
  - d. focus on interdependent partnership

ANSWER: c

13. What is a potential drawback of a company focusing on price?
- a. It makes advertising and promotional expenses worthless.

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- b. It doesn't provide the firm with a competitive advantage.
- c. It cuts into profits.
- d. It will not motivate customers to enter into a buying relationship.

ANSWER: b

14. At the second level of the development of a buyer-seller relationship, what is the interaction focused on?
- a. price and other financial incentives
  - b. personalizing the relationship by reaching out to the customer with social interaction
  - c. transforming structurally into an interdependent partnership
  - d. analyzing data from the initial purchase to determine the chance of a repeat sale

ANSWER: b

15. In the context of the relationship marketing continuum, what is a drawback associated with the efforts that focus on pricing and other financial incentives to attract customers?
- a. It makes advertising and promotional expenses worthless.
  - b. It leads to hostile relationships with the suppliers.
  - c. It does not encourage creativity in advertising.
  - d. It is least likely to lead to a long-term relationship.

ANSWER: d

16. What type of interaction is usually created by a second-level relationship marketing program?
- a. social
  - b. financial
  - c. structural
  - d. motivational

ANSWER: a

17. Cannondale Bicycles has an owner's group called "The Chain Club." Members receive e-mails listing cycling-related tips, as well as access to a special website. What level of relationship marketing is this an example of?
- a. first
  - b. second
  - c. third
  - d. fourth

ANSWER: b

18. Which of the following is an example of a first-level relationship marketing program?
- a. a fan club for a famous entertainer
  - b. an alumni association
  - c. a club for owners of a particular model of car
  - d. a two-for-one deal on airline tickets

ANSWER: d

19. Which of the following is NOT a characteristic of the third level of relationship marketing?
- a. structural primary bond

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- b. medium to high degree of customization
- c. true buyer and seller partnership
- d. low potential for sustained competitive advantage

ANSWER: d

20. What do third-level relationship marketing programs usually aim to create?

- a. social interaction
- b. financial interaction
- c. structural changes
- d. traditional ties

ANSWER: c

21. Which of the following is an example of a typical third-level relationship marketing program?

- a. a newspaper ad trying to stimulate sales of health foods
- b. a frequent-user or frequent-flyer program
- c. an extensive training program for retailers of a manufacturer's goods
- d. a giveaway of tickets to a trade show

ANSWER: c

22. What is the first step in measuring customer satisfaction?

- a. finding out what customers need, want, and expect
- b. hiring a first-rate market research firm
- c. developing new products and placing them in the market
- d. mining the Web for blogs and discussion groups to obtain customer feedback

ANSWER: a

23. What is a proactive method a firm might use to assess customer satisfaction?

- a. visiting, calling, or mailing written surveys to clients
- b. soliciting complaints from dissatisfied customers
- c. using mystery shoppers to evaluate the quality of service provided
- d. monitoring Web discussion groups

ANSWER: a

24. Why do customers prefer to have continuing relationships with businesses or suppliers?

- a. Humans like to repeat processes.
- b. Businesses and suppliers always provide consistent high quality.
- c. By reducing the number of choices, the decision-making process is made easier.
- d. There are a limited number of suppliers in most industries.

ANSWER: c

25. What is one of the major forces driving the movement toward relationship marketing?

- a. the realization that retaining customers is far more profitable than losing them
- b. the need to reduce expenditures on marketing
- c. increased pressure from consumer lobby groups

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d. new customer prospects are more important than existing customers

ANSWER: a

26. The Best Buy Rewards Program tracks customer sales and periodically issues coupons to customers based on prior purchases. What kind of marketing is this program classified as?

- a. affinity
- b. database
- c. user segmentation
- d. frequency

ANSWER: d

27. Why do customers prefer to have continuing relationships with businesses or suppliers?

- a. It helps the consumers in the process of benchmarking.
- b. By nature, customers are resistant to change and prefer pre-existing relationships with businesses.
- c. The decision-making process becomes easier with the reduction in the number of choices.
- d. Most businesses have low switching costs which make them attractive to have continued relationships with.

ANSWER: c

28. Which of the following is an example of affinity marketing?

- a. University of Manitoba's branded credit card
- b. Hallmark's Gold Crown card
- c. Petro Canada's rewards card
- d. Air Canada's Aeroplan program

ANSWER: a

29. What type of marketing effort is sponsored by an organization that solicits responses from individuals who share common interests and activities?

- a. frequency
- b. affinity
- c. internal
- d. database

ANSWER: b

30. What type of marketing is the information-based approach that collects and analyzes data for specific information about markets and consumers?

- a. frequency
- b. affinity
- c. database
- d. customer service

ANSWER: c

31. What do databases have the capacity to do when used properly?

- a. calculate the amount of a customer's next purchase
- b. force customers or targeted customer groups to buy more

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- c. reduce customer retention and referral rates
- d. identify a firm's most profitable customers

ANSWER: d

32. Who assists marketers by providing software when it is needed to capture, manipulate, and analyze consumer data?
- a. application service providers
  - b. consumer data providers
  - c. database managers
  - d. Internet service providers

ANSWER: a

33. What type of marketing program enables satisfied customers to get the word out about products to other consumers?
- a. grassroots
  - b. viral
  - c. frequency
  - d. customer-based

ANSWER: a

34. What is customer relationship management?
- a. the process of maintaining good relationships between all wholesalers and/or retailers in the distribution channel
  - b. a process used to retain customers when purchases are based on low price or convenience
  - c. a system for handling late deliveries and damaged product returns
  - d. the process of re-orienting a business to a concentrated focus on satisfying customers

ANSWER: d

35. Which of the following implies the highest form of buyer–seller interactions?
- a. customer relationship management
  - b. transaction-based marketing
  - c. relationship marketing
  - d. internal marketing

ANSWER: a

36. What makes customer relationship management possible?
- a. the loyalty of consumers to businesses that manufacture their favourite products
  - b. the adoption of the marketing concept by a majority of businesses worldwide
  - c. the technological advances that result in strategic integration
  - d. the increasing demands made by the legal system on business operators

ANSWER: c

37. What do customer relationship management programs require to be successful?
- a. a focus on the technological process
  - b. implementation at the grassroots level
  - c. investment in training

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d. expectations set at the highest possible level

ANSWER: c

38. What is often the cause of failure with customer relationship management (CRM)?

- a. inability to organize the organization's people and processes
- b. a lack of interest from customers and potential customers
- c. business processes that are changed to support a customer focus
- d. competitors deciding to offer their own CRM system

ANSWER: a

39. What is a major drawback associated with customer relationship management systems?

- a. They are not effective in reducing the marketing and distribution costs for the products.
- b. The strategy needs to be thought out in advance, and everyone in the firm must be committed to it.
- c. They cannot provide a complete picture of the customers in order to understand their needs.
- d. They complicate simple business processes while trying to reorganize the focus on customer satisfaction.

ANSWER: b

40. What is the term for the process of trying to rejuvenate lost relationships with customers?

- a. repositioning
- b. customer winbacks
- c. frequency marketing
- d. grassroots marketing

ANSWER: b

41. Which of the following would be the most desired effect in the development of a buyer–seller relationship between two companies?

- a. increase in inventories
- b. more favourable financing terms
- c. less competition
- d. lower barriers to market entry

ANSWER: b

42. In the business-to-business market, how do firms develop affiliations to assist each other in achieving common goals?

- a. by contracting to share the market between themselves
- b. by making every effort to keep out new competitors
- c. by forming partnerships
- d. by creating temporary agreements

ANSWER: c

43. What is the first priority in the decision to form a partnership?

- a. to locate companies that can add value to the relationship
- b. to locate companies that would otherwise compete, in order to eliminate them
- c. to locate companies that have weak management in order to pirate resources from them
- d. to locate companies that will avoid potential monopolistic situations

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ANSWER: a

44. Which of the following is a motive that prompt firms to enter into partnerships?
- a. creating longer distribution channels
  - b. raising barriers to entry
  - c. promoting the use of technology to facilitate customer orientation
  - d. avoiding vertical and horizontal integration

ANSWER: a

45. What needs do seller partnerships in the business-to-business market reflect?
- a. a firm's purchase of goods from a number of providers
  - b. a long-term exchange of products
  - c. two divisions of the same firm begin to sell to each other
  - d. a lack of buyer-seller interaction

ANSWER: b

46. A biotechnology company and a university have formed a partnership to develop a new class of cancer-fighting drugs. What type of partnership is this?
- a. buyer
  - b. seller
  - c. internal
  - d. lateral

ANSWER: d

47. Columbia is a sporting goods store and Jeep is an automobile. What is the Columbia edition of the Jeep Liberty an example of?
- a. co-branding
  - b. co-marketing
  - c. lateral partnership
  - d. internal partnership

ANSWER: a

48. How does Proctor & Gamble pay special attention to the needs of national retailers, such as Walmart and Canadian Tire?
- a. through national account selling
  - b. through business-to-business databases
  - c. through electronic data interchanges
  - d. through vendor-managed inventory

ANSWER: a

49. Which of the following is one of the advantages of national account selling?
- a. the buyer's ability to demonstrate its depth of commitment to the seller
  - b. a strengthened buyer-seller relationship through collaboration
  - c. demonstrated loyalty to a specific buyer through its favoured status

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d. increased costs, but increased profits as well

ANSWER: b

50. Clayton Technologies has set up a sales team exclusively to serve one of its clients who account for a major share of its business. What is this strategy is an example of?

- a. vertical supply chain integration
- b. vendor-managed selling
- c. quick-response merchandising
- d. national account selling

ANSWER: d

51. How does electronic data interchange (EDI) compare with the traditional system of business-to-business communication?

- a. EDI has a smaller capacity to gather marketing information.
- b. EDI improves its users' efficiency and competitiveness.
- c. EDI produces a substantial amount of paper and waste.
- d. EDI is currently inefficient until the system can be updated.

ANSWER: b

52. What benefit does a retailer gain from the use of electronic data interchange (EDI) as a quick-response merchandising tool?

- a. It allows the retailer to order and store increased quantities of inventory so a shortfall doesn't occur.
- b. The system can forecast new consumer trends.
- c. It reduces the time merchandise is held in inventory, which translates into cost savings.
- d. The retailer does not have to feel tied to a particular supplier.

ANSWER: c

53. What system is in place when a seller determines how much product a buyer needs and then automatically ships new goods to that buyer?

- a. customer relationship management
- b. vendor-managed inventory
- c. national account selling
- d. business-to-business alliance

ANSWER: b

54. Which of the following is an important competitive advantage that results from effective supply-chain management?

- a. variable costs
- b. lower level of costly innovation
- c. autonomy and independence among the chain's members
- d. improved conflict resolution within the chain

ANSWER: d

55. Whirlpool and the Brick are working together on a collaborative effort involving forecasting, planning, and replenishment of merchandise in the store. What are the two companies using?

- a. co-marketing

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- b. collaborative planning, forecasting, and replenishment
- c. supply-chain management
- d. vendor-managed inventory

ANSWER: b

56. How can a firm improve the speed and efficiency of its supply-chain operations?
- a. by cultivating its upstream relationships and putting pressure on its downstream ones
  - b. by sacrificing the needs of upstream members of the chain in favour of those downstream
  - c. by keeping communication with suppliers to a minimum to avoid company leaks
  - d. by coordinating its operations with those of other members of the chain

ANSWER: d

57. What is the ultimate expression of relationship marketing in the business-to-business sector?
- a. a cartel
  - b. a strategic alliance
  - c. a monopolistic competition
  - d. an oligopoly

ANSWER: b

58. Why are strategic alliances formed?
- a. to satisfy corporate officers
  - b. to avoid problems related to antitrust legislation
  - c. to create a competitive advantage
  - d. to present a united front to labour unions

ANSWER: c

59. What is created when partners in a strategic alliance form a new business unit to implement their plans?
- a. joint venture
  - b. collusion organization
  - c. development team
  - d. merged organization

ANSWER: a

60. What is involved in the joint venture option for structuring a strategic alliance?
- a. rarely the formation of a new business unit
  - b. less formality than a cooperative relationship
  - c. a combined, new-product development team
  - d. the partners taking ownership positions

ANSWER: d

61. How does a cooperative relationship formed between businesses compare to a joint venture?
- a. It typically involves forming a new business unit.
  - b. It may involve partners taking ownership positions.
  - c. It is usually less formal than a joint venture.

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d. It would not be typified by a joint, new-product development team.

ANSWER: c

62. What is one of the most important measures for evaluating customer relationship programs?

- a. weekly cost of program administration
- b. average amount of each transaction the program generates
- c. lifetime value of a customer
- d. yearly income the program provides

ANSWER: c

63. Which statement best describes long-term customers?

- a. They are less valuable to a company than short-term customers.
- b. They are more difficult to deal with than short-term customers.
- c. They are expensive investments because the upkeep is costly.
- d. They are more valuable assets than new ones.

ANSWER: d

64. What do lifetime-value-of-a-customer and payback calculations recognize?

- a. that customers will always be there, regardless of the industry or product
- b. that customer complaints have little relevance to how people actually behave
- c. that long-term customers are usually more valuable than new ones
- d. that customer satisfaction is not the determinant of how loyal the customer will be

ANSWER: c

65. Since the Industrial Revolution, most manufacturers have focused on making products and then promoting them to customers in hopes of selling enough to cover costs and earn a profit.

- a. True
- b. False

ANSWER: True

66. Transaction-based marketing depends on the development of social ties between buyers and sellers.

- a. True
- b. False

ANSWER: False

67. The human resources director at Lowe Locks, Inc. has decided to restructure the evaluation process. She recommends that a percentage of feedback come from input provided by suppliers and distributors of their products. This restructuring process indicates that the focus of Lowe Locks is on transaction-based marketing.

- a. True
- b. False

ANSWER: False

68. The sale of a product to a customer via a vending machine is typical of a transaction-based relationship.

- a. True
- b. False