

CHAPTER 2—CREATING MARKETING STRATEGIES FOR CUSTOMER-CENTRIC ORGANIZATIONS

TRUE/FALSE

1. Today's consumers have less power than those of the last decade.

ANS: F

2. Customer-centricity is a strategic commitment to focus the firm's resources on serving and delighting all customers.

ANS: F

3. Customer-centricity is a strategic commitment to focus the firm's resources on serving and delighting profitable customers.

ANS: T

4. Value is the difference between what consumers give up for a product and the benefits they receive.

ANS: T

5. Quality, often synonymous with value, is enough to sustain a competitive advantage in today's business environment.

ANS: F

6. Other components of value, such as brand, image, price, and product features, can provide a competitive advantage in today's business environment.

ANS: T

7. Marketing strategy involves the allocation of resources to develop and sell products or services that consumers will perceive to provide more value than competitive products or services.

ANS: T

8. Marketing attempts to get consumers to buy new products are almost always successful.

ANS: F

9. Most new products are successful.

ANS: F

10. The average failure rate of new products launched in the market is about 39 percent.

ANS: F

11. Consumer insight refers to the consumer's understanding of how companies market their products.

ANS: F

12. A thorough market analysis includes an examination of current and potential competitors.

ANS: T

13. Market segmentation is the process of identifying a group of people similar in one or more ways.

ANS: T

14. A market segment is a group of consumers with similar needs and behavior that differ from those of the entire mass market.

ANS: T

15. If all humans were identical in their preferences and behaviors, market segmentation would not be needed.

ANS: T

16. The ultimate goal of market segmentation is increased customer satisfaction and profitability.

ANS: T

17. The less individualized the product and the larger the segment for which it is designed, the greater the likelihood that the costs to the marketer will increase.

ANS: F

18. The opposite of market aggregation is mass marketing.

ANS: F

19. Mass marketing is more appropriate in industrially advanced countries than in less advanced countries with developing economies.

ANS: F

20. Mass customization is the customization of goods and services for individual customers in high volume and at relatively low costs.

ANS: T

21. A market segment must have more than one person.

ANS: F

22. One disadvantage of market segmentation is that it always increases marketing expenses.

ANS: F

23. The attractiveness of a market segment depends on a number of factors, including its size and accessibility.

ANS: T

24. Product is the total bundle of utilities or benefits attained by consumers in the exchange process.

ANS: T

25. Price is the total bundle of disutilities given up by consumers in exchange for a product.

ANS: T

26. Having the lowest price is not as important as having the price fall in the range consumers expect to pay for the product.

ANS: T

27. A successful brand strategy would provide an emotional connection between a firm and its customers.

ANS: T

28. The difference in value created by a brand less the cost of creating the brand is known as brand equity.

ANS: T

29. Research indicates that consumers perceive products with prices ending in round numbers and \$.00 to be of lower quality.

ANS: F

30. Excellent marketing strategy can overcome poor execution.

ANS: F

31. Many firms in industrialized countries are focusing their attention on soliciting new customers rather than retaining their existing customers because it is usually cheaper to recruit new customers.

ANS: F

32. It is generally more expensive to attract new customers than to hold on to present ones.

ANS: T

33. Customer loyalty programs such as frequent flyer miles are intended to reward consumers for their "good behavior."

ANS: T

34. A company should "fire" its unprofitable customers.

ANS: T

35. The term "CLV" stands for Company Lifetime Valuation.

ANS: F

36. Most U.S. companies in the export business are large corporations.

ANS: F

37. Cross-cultural analysis is the comparison of similarities and differences in behavioral and physical aspects of cultures.

ANS: T

38. Cultural empathy refers to the ability to understand the inner logic and coherence of other ways of life and refrain from judging other value systems.

ANS: T

39. Ethnographics refers to written representations of the lifestyles and social nuances of groups.

ANS: T

40. Intermarket segmentation is the identification of groups of customers who transcend traditional market or geographic boundaries.

ANS: T

41. Intermarket segmentation involves segmenting a market based on where people live.

ANS: F

42. The primary challenge for international marketing programs is to build the core of the marketing strategy on the differences between countries.

ANS: F

43. Global advertising campaigns focus on sending the same message to consumers around the world.

ANS: T

44. Back-translation attempts to achieve conceptual equivalency between messages in two languages.

ANS: T

45. Coined brand names such as Xerox and Exxon are very effective in a global market because of their ease of translation.

ANS: F

MULTIPLE CHOICE

1. A firm pursuing a customer-centric focus would be involved in all of the following except:
- producing new or improved products
 - utilizing evolving marketing methods
 - focusing on new or changing target markets
 - improving financial efficiencies
 - All of the above are areas in which a customer-centric firm is involved.

ANS: D

2. Having a customer-centric organization means that a firm has which of the following characteristics?
- System-wide simultaneous training
 - Customer-based metrics
 - Cross-function integration
 - Shared vision and values
 - All of the above are characteristics of a customer-centric organization.

ANS: E

3. Value is:
- money
 - the difference between what consumers give up for a product and what they pay
 - the benefits consumers receive from the product
 - less than product quality
 - None of the above.

ANS: E

4. ____ involves the allocation of resources to develop and sell products or services that consumers will perceive to provide more value than competitive products or services.
- | | |
|------------------------|---------------------------|
| a. Market analysis | d. Market diversification |
| b. Market segmentation | e. Implementation |
| c. Marketing strategy | |

ANS: C

5. Marketing strategy is a process that involves which of the following areas of strategy formulation and implementation?
- | | |
|------------------------|----------------|
| a. Brand strategy | d. A and C |
| b. Market analysis | e. A, B, and C |
| c. Market segmentation | |

ANS: E

6. Consumer analysis should include all of the following except:
- consumer trends
 - communication methods to reach target markets
 - global consumer markets
 - models to predict purchase and consumption patterns
 - It should include all of the above.

ANS: E

7. Market analysis should include all of the following except:
- a. the consumer
 - b. the company
 - c. competitors
 - d. the legal environment
 - e. It should include all of the above.

ANS: E

8. To gain a competitive advantage in today's environment, a firm should develop and communicate which of the following components to consumers?
- a. Brand
 - b. Price
 - c. Product features
 - d. A and B
 - e. A, B, and C

ANS: E

9. For a new product to avoid failure in today's market and be successful it must:
- a. satisfy the needs, wants, and objectives of the management team.
 - b. satisfy the objectives of the company's shareholders.
 - c. perform in a manner that is comparable to existing products on the market.
 - d. provide the consumer with all of the benefits and product characteristics offered by the leading competitive brand.
 - e. None of the above.

ANS: E

10. ____ is an understanding of consumers' expressed and unspoken needs.
- a. Consumer analysis
 - b. Consumer focus
 - c. Consumer intuition
 - d. Consumer insight
 - e. None of the above.

ANS: D

11. When marketers study the consumer environment, they would look at all of the following except:
- a. demographic trends
 - b. personal and group influences
 - c. knowledge, attitudes, and motivations
 - d. They would look at all of the above.

ANS: D

12. Firms should anticipate which of the following from their competitors?
- a. Product giveaways
 - b. Advertising blitzes
 - c. Price cuts
 - d. B and C
 - e. All of the above.

ANS: E

13. The process of identifying a group of people similar in one or more ways is called:
- a. Market research
 - b. Target marketing
 - c. Market analysis
 - d. Market segmentation
 - e. None of the above.

ANS: D

14. A group of consumers with similar needs and behavior that differs from those of the entire mass market is called a:
- a. Market niche
 - b. Market segment
 - c. Mass market
 - d. Market unit
 - e. Target market

ANS: B

15. ____ occurs when an organization chooses to market and sell the same product and service to all consumers.
- a. Niche marketing
 - b. Market aggregation
 - c. Market consolidation
 - d. Mass market customization
 - e. Target marketing

ANS: B

16. Factors leading to the demise of mass marketing include:
- a. consumer affluence
 - b. manufacturing technology
 - c. multiple distribution channels
 - d. Only A and B
 - e. All of the above are factors.

ANS: E

17. Which of the following is not a variable used for segmenting consumer markets?
- a. Demographics
 - b. Psychographics
 - c. Purchase behavior
 - d. Geographical characteristics
 - e. All of the above are variables used for segmenting consumer markets.

ANS: E

18. Customizing goods or services for individual customers in high volumes and at relatively low costs is known as:
- a. target marketing
 - b. niche marketing
 - c. mass marketing
 - d. mass customization
 - e. niche customization

ANS: D

19. Which is not a factor in determining the attractiveness of a market segment?
- a. Measurability
 - b. Marketability
 - c. Accessibility
 - d. Substantiality
 - e. Congruency

ANS: B

20. The ability to obtain information about the size nature and behavior of the market segment refers to:
- a. Measurability
 - b. Marketability
 - c. Accessibility
 - d. Substantiality
 - e. Congruency

ANS: A

21. The degree to which a market can be reached is called:
- a. Measurability
 - b. Marketability
 - c. Accessibility
 - d. Substantiality
 - e. Congruency

ANS: C

22. The size of the market refers to:
- a. Measurability
 - b. Marketability
 - c. Accessibility
 - d. Substantiality
 - e. Congruency

ANS: D

23. How similar members are to each other refers to:
- a. Measurability
 - b. Marketability
 - c. Accessibility
 - d. Substantiality
 - e. Congruency

ANS: E

24. The four elements of the marketing mix are:
- a. product, price, place, and prestige.
 - b. price, position, place, and promotion.
 - c. place, product, price, and promotion.
 - d. promotion, place, prestige, and product.
 - e. position, price, product, and promotion.

ANS: C

25. The total bundle of utilities obtained by consumers in the exchange process is called the:
- a. Price
 - b. Promotion
 - c. Product
 - d. Prestige
 - e. Place

ANS: C

26. In the 4 P's that comprise the marketing mix, product refers to:
- a. goods
 - b. services
 - c. tangible and intangible attributes
 - d. A and B
 - e. A, B, and C

ANS: E

27. In the 4 P's that comprise the marketing mix, ____ is when the firm decides on the most effective outlets through which to sell their products and how best to get them there.
- a. position
 - b. promotion
 - c. product
 - d. place
 - e. location

ANS: D

28. The total bundle of disutilities given up by consumers in exchange for a product is the:
- a. Price
 - b. Promotion
 - c. Product
 - d. Prestige
 - e. Place

ANS: A

29. In the 4 P's that comprise the marketing mix, price refers to the disutilities given up by consumers. These disutilities include:
- a. cash or credit card debt.
 - b. time or inconvenience.
 - c. psychological risk.
 - d. A and B only
 - e. A, B, and C

ANS: E

30. According to consumer research, which of the following prices would be most likely to evoke perceptions of high quality?
- a. \$30.00
 - b. \$29.98
 - c. \$25.50
 - d. \$29.75
 - e. \$27.99

ANS: A

31. In the 4 P's that comprise the marketing mix, promotion refers to:
- a. advertising and public relations.
 - b. sales promotion.
 - c. price.
 - d. A and B
 - e. A, B and C

ANS: D

32. Which of the following cannot be viewed as a brand?
- a. Firms
 - b. Institutions
 - c. People
 - d. Service
 - e. All of the above can be viewed as a brand.

ANS: E

33. The functional elements of a brand does not include:
- a. Quality
 - b. Performance
 - c. Logistics
 - d. Service
 - e. All of the above are functional elements of a brand.

ANS: D

34. The emotional elements of a brand includes:
- a. Image
 - b. Personality
 - c. Style
 - d. Evoked feelings
 - e. All of the above.

ANS: E

35. Which is not one of the seven R's of the marketing mix?
- a. Resources
 - b. Reliability
 - c. Rate
 - d. Retailer
 - e. Repetitiveness

ANS: E

36. Of the seven R's, which one is concerned with dependency on the supply chain?
- a. Resources
 - b. Reliability
 - c. Rate
 - d. Retailer
 - e. Repetitiveness

ANS: B

37. Of the seven R's, which one is concerned with speed to market?
- a. Resources
 - b. Reliability
 - c. Rate
 - d. Retailer
 - e. Repetitiveness

ANS: C

38. Which of the following would not strengthen customer loyalty?
- a. Instituting a total quality control policy
 - b. Building realistic expectations
 - c. Providing guarantees
 - d. Soliciting customer feedback
 - e. All of the above should strengthen customer loyalty.

ANS: E

39. The final stage of marketing strategy in customer-centric organizations is:
- a. brand strategy.
 - b. implementation.
 - c. market analysis.
 - d. market segmentation.
 - e. manufacturing and production efficiencies.

ANS: B

40. Thinking globally requires the ability to understand markets beyond one's own country of origin with respect to:
- a. sources of demand
 - b. sources of supply
 - c. methods of effective management and marketing
 - d. A and B
 - e. All of the above.

ANS: E

41. ____ is the comparison of similarities and differences in behavioral and physical aspects of cultures.
- a. Ethnographics
 - b. Cross-cultural analysis
 - c. Cultural empathy
 - d. Country-of-origin research
 - e. Intermarket analysis

ANS: B

42. The ability to understand the inner logic and coherence of other ways of life and refrain from judging other value systems is called:
- a. Ethnographics
 - b. Cross-cultural analysis
 - c. Cultural empathy
 - d. Country-of-origin research
 - e. Intermarket analysis

ANS: C

43. _____ can help analyze the subtle ways buyers and sellers interact in the marketplace and can be useful in business negotiation processes.
- a. Ethnographics
 - b. Cross-cultural analysis
 - c. Cultural empathy
 - d. Country-of-origin research
 - e. Intermarket analysis

ANS: A

44. The identification of groups of customers who transcend traditional market or geographic boundaries is called:
- a. Ethnographics
 - b. Cross-cultural analysis
 - c. Cultural empathy
 - d. Country-of-origin research
 - e. Intermarket analysis

ANS: E

45. Some advertising messages and specific product characteristics tend to be better suited than others for a globalized advertising approach. These include:
- a. The product satisfies universal needs and desires
 - b. The communication message is based on similar lifestyles
 - c. The appeal of the ad is to basic human needs and emotions
 - d. A and C
 - e. All of the above.

ANS: E

ESSAY

1. Why is the 21st century appropriately called the "Century of the Consumer"?

ANS:

Globalization and the shrinking of the commercial world have led to increased competition. This increased competition requires consumer analysts to develop new skills focusing on and requiring a thorough knowledge of the consumer both domestically and abroad. This understanding focuses on but is not limited to consumer trends, global consumer markets, models to predict purchase and consumption habits and better communication strategies.

2. What is consumer insight? Why is it so important to today's marketer?

ANS:

An understanding of consumers' expressed and unspoken needs and realities that affect how they make life, brand, and product choices. It combines facts and data with intuition. Its importance stems from the necessity to be able to bring to the market successful products. The fact is that most new product entries fail in the marketplace. With the fierce competition going on in business, failure must be minimized for the well being of the firm.

3. What is the goal in analyzing market segments?

ANS:

The goal in analyzing market segments is to identify groups of consumers that can be targeted more effectively and/or efficiently. Doing so enables the firm to increase the chances that consumers will respond more favorably to its offerings. It may also allow the firm to charge a higher price. Ultimately, the goal is to increase the firm's profitability.

4. What is a product?

ANS:

The total bundle of utilities (or benefits) obtained by consumers in the exchange process. Products include both goods and services as well as both tangible and intangible attributes.

5. What is meant by intermarket segmentation?

ANS:

The identification of groups of customers who transcend traditional market or geographic boundaries. These people have similar patterns of behavior regardless of where they live.