

Test Bank Chapter 2: History and Development of CRM

Multiple Choice Questions

1. Which of the following does not apply to Relationship marketing?
- A. Is viewed as a paradigm shift that has reshaped the entire field of marketing
 - B. Has paybacks for both the company and its customers
 - C. Focuses on the sales transaction
 - D. Focuses on maintaining long-term bonds
 - E. Views personalized service as key

ANSWER: C—Pgs 48, 49

2. Which was not a force that drove marketers to begin focusing on customer relationships?
- A. Technological advances in IT that enabled companies to record transaction details
 - B. Technological advances that enabled companies to enter into dialogue with customers
 - C. Direct marketing efforts that enabled companies to enter into one-on-one relationships with their customers
 - D. The creation of functional information silos enabling smooth data transfers within any organization
 - E. Writing of consultants pointing out that customer retention was the key to corporate profitability

ANSWER: D—Pgs 48, 49

3. Which was not a root cause of CRM?
- A. Customer satisfaction studies
 - B. Extension of the productive relationships apparent within the B2B environment
 - C. Psychographic studies that led to more efficient mass marketing
 - D. Extension of technology implementation beginning with MRP and SAP
 - E. Improvements in company call centers

ANSWER: C—Pgs 48, 49

4. Which was not a root cause of CRM?

- A. Sales force automation tools that captured customer and prospect information.
- B. Campaign management tools that helped contained excessive mass marketing costs.
- C. Channel integration techniques that gathered customer information from all touch points.
- D. Diffusion of personal computers enabling divisions to analyze their own customer data.
- E. All of the above were root causes of CRM.

ANSWER: E—Pgs 50, 51, 54

5. Which of the following was a root cause of CRM?

- A. Improvements in the gathering of government census data.
- B. Success of direct-response marketing such as direct-mail and toll-free calling.
- C. Global integration of company data making possible a 360 view of customers.
- D. Ethnographic research enabling companies to truly understand consumer behavior.
- E. All of the above were root causes of CRM.

ANSWER: B—Pg 54

6. Mass marketing techniques

- A. Continue to be cost effective based on companies' abilities to measure results.
- B. Are successful based on the continued pull of network television and mass oriented national magazines.
- C. Became out-of-vogue due to companies' inability to measure results.
- D. Became useful again through application of SFA and ERP.
- E. Are still the underlying force of CRM.

ANSWER: C—Pgs 58, 59

7. Which business environmental factor did not lead to companies' use of CRM?

- A. It was getting harder for companies to differentiate themselves through products and brands alone.
- B. Companies looked to CRM to create close and intimate bonds with their customers.

- C. Media continued to become more and more centralized, enabling companies to effectively and efficiently reach customers.
 - D. Pace of life quickened, leading consumers to demand quicker and better service.
 - E. All of the above led to companies' increasing use of CRM.
- ANSWER: C—Pgs 57-60

8. Which is true regarding companies' experiences with CRM?
- A. More than 75% of all companies have experienced success with their CRM systems.
 - B. Less than half of all companies are satisfied with their CRM systems.
 - C. Companies are surprised to find CRM installation oftentimes comes in under budget.
 - D. CRM systems have been widely adopted by small- and medium-sized enterprises.
 - E. E, C and D are all true.
- ANSWER: B—Pgs 60-63

9. Which of the following is false regarding companies' experiences with CRM?
- A. Targeted revenue goals, contrary to popular opinion, are most often achieved within 2 years of installation.
 - B. Most companies do not have clearly stated goals for their CRM systems.
 - C. Charles Schwab recouped their costs more quickly than expected.
 - D. The real barrier to effective CRM installation is corporate culture.
 - E. All of the above are true.
- ANSWER: A—Pg 60-63

10. The barriers to CRM system installation include all but which of the following:
- A. Corporate culture
 - B. Employee attitudes
 - C. Lack of a strategic plan for CRM
 - D. Extraordinary amount of time involved to install CRM systems
 - E. All of the above are barriers
- ANSWER: E—Pg 63

11. Which of the following is not a barrier to effective CRM installation?
- A. A large number of stakeholders are involved
 - B. Structural changes involved
 - C. Executive concerns about payback

- D. Skeptical salespeople
 - E. Companies' focus on individuals as opposed to the mass market
- ANSWER: E—Pg 63

12. With respect to CRM systems
- A. Salesmen generally look forward to new technology making their job easier.
 - B. Executives worry about how to manage their business during implementation.
 - C. Data silos will be created, allowing for smooth data interchanges.
 - D. Employees generally look forward to a new challenge.
 - E. All of the above are false.
- ANSWER: B Pg 64

13. Which of the following is, in fact, a way that organizations can overcome barriers to effective CRM implementation?
- A. Break data marts into more manageable data warehouses.
 - B. Establish a plan for quantifying goals and objectives.
 - C. Initiate implementation at the channel level.
 - D. Establish IT as lead development implementer.
 - E. A, C and D are correct.
- ANSWER: B—Pg 68

14. Studies on CRM implementation have found
- A. Impact on customers is, in fact, greater than impact on employees.
 - B. 18 months is required on average for successful CRM implementation.
 - C. Implementation is more successful when IT and business managers work together.
 - D. Lead IT groups with a CRM focus lead to more efficient implementation when not encumbered by business managers who lack IT background.
 - E. Average amounts spent on CRM systems for SMEs is \$180,000.
- ANSWER: C—Pg 71

15. Studies on CRM implementation have found
- A. Contrary to popular belief, direction begins from the bottom-up.
 - B. Those closest to the customer should design the system.
 - C. IT opinion leaders will make or break the system.
 - D. Companies spend too much time on developing performance metric standards.
 - E. All of the above are false.
- ANSWER: E—Pgs 67, 71, 74

16. A more expansive notion of CRM includes more constituencies than merely customers. Which of the following is not typically covered in the expanded notion of CRM?

- A. Suppliers
- B. Distributors
- C. Household and industrial customers
- D. Facilitating Agencies
- E. All are covered

ANSWER: E—Pg 78

17. Which is false?

- A. CRM is applicable to all members in a vertically aligned network.
- B. CRM is applicable to all members in a valued-added partnership.
- C. CRM has been expanded and is often referred to as PRM.
- D. Because CRM has its roots in SAP, employees are now considered part of the VAN.
- E. All of the above are true.

ANSWER: D—Pgs 78, 82

18. Select the incorrect statement. Campaign management tools

- A. Were introduced to contain the growing costs associated with media buys.
- B. Have basically become obsolete with the growth of E-business.
- C. Enable companies to design and coordinate promotional programs.
- D. Enable companies to forecast financial results.
- E. All of the above are true.

ANSWER: B—Pg 51

19. Database construction is

- A. Easiest for firms having infrequent interaction with their customers.
- B. Easiest for firms having infrequent and indirect customer interaction.
- C. Easiest for firms having frequent and direct customer interaction.
- D. Most difficult for firms in VANS and PRMS.
- E. Easiest for firms having data silos.

ANSWER: C—Pg 56

20. Which is incorrect? Relational databases contain

- A. Customer transaction histories.
- B. All customer contacts through any channel.
- C. Demographic and behavior information.
- D. Customer response to company campaigns.
- E. All are correct.

ANSWER: E—Pgs 54-56

21. Which is a true finding with respect to the establishment of CRM systems?

- A. Shifting the focus from products to customers is not a major problem since product management systems are often in place.
- B. Marketing, sales and even engineering should act on data collect by the customer contact center.
- C. Customer information should never be disseminated to those outside the company in the distribution channel.
- D. Top management is generally unwavering in its support of CRM establishment.
- E. All of the above are true.

ANSWER: B—Pg 66

22. Legacy systems

- A. Can impede company-wide CRM development.
- B. Are generally developed by an IT task force.
- C. Are what every organization strives for in CRM development.
- D. Are best practice attempts at CRM.
- E. C and D are correct.

ANSWER: A—Pg 66

23. CRM systems

- A. Should emphasize platform technology first and problem solving second.
- B. Should be functional in nature.
- C. Are too often tied to business goals without consideration of IT concerns.
- D. Work best in functional silos.
- E. Sometimes consist of CRM suites or CRM point solutions.

ANSWER: E—Pg 69

24. With respect to CRM systems:

- A. Technical integration leads to performance integration.
- B. CRM systems should benefit marketing, sales, customer service, advertising, IT and many other departments.
- C. The “big-bang” approach has proven more successful than a piece-meal approach.
- D. Cost-benefit analysis is not needed since implementation has shown benefits always outweigh costs.
- E. Both B and D are correct.

ANSWER: B—Pg 69

25. “Quick-results” CRM benefits companies in many ways. Which of the following is not one of the benefits?

- A. It combats disenchantment.
- B. It places IT in the lead.
- C. Users get to “test the water.”
- D. It avoids culture shock.
- E. It avoids information overload.

ANSWER: B—Pg 69

True/False Questions

1. Relationship marketing is viewed as a paradigm shift that has reshaped the entire field of marketing.

ANSWER: True

Pgs 48, 49

2. The creation of functional information silos enabling smooth data transfers within any organization was a major force that drove marketers to begin focusing on customer relationships.

ANSWER: False

Pg 49

3. A root cause of CRM was the psychographic studies of the 1970s that led to a better understanding of customers and more efficient mass marketing.

ANSWER: False

Pg 49

4. Diffusion of personal computers enabling divisions to analyze their own customer data contributed to the growth of CRM.

ANSWER: True

Pg 54

5. CRM was aided by the media, which continued to become more and more centralized, enabling companies to effectively and efficiently reach customers.

ANSWER: False

Pgs 57-60

6. Despite major difficulties in development and execution, recent surveys show that more than 75% of all companies have experienced success with their CRM systems.

ANSWER: False

Pgs 60-63

7. Corporate culture and employee attitudes have not proven to be a detriment to CRM development for in most situations, companies and their employees relish the opportunity to better serve their customers.

ANSWER: False

Pg 63

8. IT leaders are major determinants of CRM success because of their knowledge of technology, as well as business unit needs.

ANSWER: False

Pg 71

9. During CRM development, success is dependent upon creating data silos that will allow for smooth data interchanges.

ANSWER: False

Pg 73

10. Studies of CRM implementation have found that the impact on customers is, in fact, greater than the impact on employees.

ANSWER: False

Pg 66

11. CRM is applicable to all members in a vertically aligned network.

ANSWER: True

Pg 78

12. Database construction has been found to be least difficult for firms who have indirect and infrequent interaction with their customers since the data is more manageable.

ANSWER: False

Pg 56

13. When creating CRM systems, shifting the focus from products to customers is not a major problem since well-developed product management systems are often in place in most companies.

ANSWER: False

Pg 66

14. CRM systems are too often tied to business goals without consideration of IT concerns.

ANSWER: False

Pg 69

15. The establishment of a program management office to expedite CRM has not proven useful because it is generally not integrated with the rest of the company.

ANSWER: False

Pg 72

Short Answer Questions

1. Some feel that CRM has its roots in marketing research. In what way(s) did marketing research help shape CRM?

ANSWER: Customer satisfaction studies have been carried out by marketing researchers since the 1960s. By using these satisfaction measures, others in the company were able to improve quality through the use of Total Quality Management (TQM) techniques. Thus, companies used marketing research satisfaction findings to improve their relationships with customers.

Pg 49

2. How did the diffusion of personal computers within companies contribute to the development of CRM?

ANSWER: Diffusion of PCs meant every desktop had the capability to analyze customer data. This led to company divisions having the ability to manipulate their own customer data, develop their own marketing programs, and assess their own performance.

Diffusion of PCs enabled those closest to the customer to develop and assess program and campaign performance in new ways.

Pg 54

3. Database construction is easiest for what types of organizations?

Most difficult for what types of organizations?

ANSWER: Database construction is easiest for organizations that have frequent and direct customer interaction (banks) and most difficult for organizations that have infrequent and indirect customer interaction (automobile and furniture manufacturers). It is intermediate in difficulty for those having frequent but indirect customer interaction (package goods companies) or for companies that have infrequent but direct customer interactions (computer stores).

Pg 56

4. What are the real barriers within most companies to effectively implementing a CRM system?

ANSWER: The real barriers appear to be corporate culture, employee attitudes, organizational structure, and the lack of a strategic plan for the CRM system. In other words, the real barriers reside in the “software” side of the business, as opposed to the “hardware” side of the business.

Pg 63

5. Respond to the following observation: "IT is a tool but often in the area of CRM, IT becomes the plan."

ANSWER: IT and technology should not be the CRM plan; rather the CRM plan should emanate from finding solutions for managers' problems. Early CRM initiatives were built by technical specialists and focused on platform technology rather than on solving managers' problems. When vendors started selling CRM solutions, companies became vulnerable to putting technology before strategy. Strategies, however, should be in place before a CRM system is determined.

Pg 68

6. Before a CRM system is installed, a business plan should be developed, showing how CRM system features will relate to each business goal. Give examples of some typical CRM business goals.

ANSWER:

- Increasing the profit from each customer
- Increasing the number of items sold annually to each customer
- Increasing the acceptance of new products by the customer base
- Increasing customer satisfaction
- Improving response rates to promotional campaigns
- Increasing the speed of campaign development
- Decreasing the costs involved in campaign development and assessment
- Decreasing the number of employees and time involved in solving problem tickets
- Improving the percent of the customer base that trades up to the next item

Pgs 68, 69

7. It is often said that CRM's complexity is due to its quantity of functions. What does this mean?

ANSWER: CRM includes a wide variety of functions, such as managing campaigns, automating sales forces, computing customer value, developing customer profiles, monitoring call center effectiveness, customer service, and so on.

Pg 70

8. Jill Dyche suggests that a program management office (PMO) be formed to expedite and coordinate the development of an organization's CRM system. What are the functions of a PMO?

ANSWER: The function of the PMO, generally located within the IT department, is to divide the project into manageable chunks containing repetitive tasks (coding, design, testing) and assign each chunk to a project manager. Each project manager is responsible for

the goals, budget, and deliverables in his or her area. By putting a PMO in charge of coordination, individual project teams can concentrate on their specific deliverables.

Pg 72

9. Customer data integration (CDI) enables an organization to accrue knowledge about the customer in a consolidate manner; but why is a single, integrated view of the customer difficult to attain?

ANSWER: A number of challenges present themselves as organizations attempt to create the single customer view so critical to CRM. They must consolidate and resolve the problems resulting from:

- Disparate databases
- Multiple touch points
- Departmental disparity
- Dissimilar applications
- Inconsistent customer data

Pgs 72, 73

10. What are the key lessons that practitioners have learned regarding CRM analytics to date?

ANSWER: First, use your current customer database more effectively. Second, segment in order to discriminate between high and low value customers.

Third, identify the value of your various market segments.

Fourth, use the information to build customer relationships.

Pg 76

Essay Questions

1. What were the factors that caused CRM to appear when it did?

ANSWER:

- The increasing number of high-quality competitors and products forced companies to look for other ways to hold onto their customers.
- The effectiveness of traditional mass marketing methods began to erode due to an increasingly cynical cohort, information overload, noise, fractionalization of audiences due to an increasing number of channels, magazines, and information sources.
- The quickening pace of life has led consumers to demand quicker and better service.
- Channels of communication are multiplying and need to be organized by

organizations. E-mail, SMS, WAP, brick-and-click, catalogues, the Internet, and so on are channels used by consumers, and they all need to be integrated by companies.

Pgs 57-60

2. Organizations can overcome the barriers to effective CRM implementation through communication. What should be communicated and to whom?

ANSWER:

- The organization must adopt a relationship marketing philosophy; this philosophy must become imbedded in the minds of managers, departments, functions and employees.
- The organization must detail the benefits of the CRM system to its employees, and also detail what they personally will gain from it.
- The top executive must communicate his or her support at the start of the CRM initiative and maintain support throughout the development and implementation stages.