Test Bank: Managing Customer Experience and Relationships, 4th ed.

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*Note: All correct answers are marked with an asterisk (\*).*

Chapter 1

Evolution of Marketing and the Revolution of Customer Strategy

Multiple Choice

1. When we say, “Treat different customers differently,” we could mean any of the following, but the answer that best describes the idea of Learning Relationships is:
2. Change opening of a message for each customer by using that customer’s name
3. Personalize the product and service offerings for each customer
4. Offer only the color your analysis shows your customer wants
5. Use interaction and memory to predict what a customer will want most from us next
6. A and C
7. \*B and D
8. The reason a company needs a customer strategy is to
9. Increase the value of customers to the company
10. Find customers for products
11. Increase the value of the company to the customer
12. Address the fact that technology has changed the basis of competition
13. \*A, C, and D
14. \*A, B, C, and D
15. Marketing’s *primary* job is to
16. Find customers for products
17. \*Get, keep, and grow customers
18. Acquire profitable customers
19. Make products look desirable
20. Build the brand in multiple channels
21. C and D
22. “Managing customer experiences” gives a company the ability to close the gap between
23. Valuable customers and average-value customers
24. \*What it is like to be our customer and what it should be like
25. A and B
26. The best definition of “customer strategy” is
    1. Developing a targeted campaign
    2. Personalizing email and internet ads
    3. \*Building the value of the customer base
    4. A technology or software solution that tracks and links each customer contact
27. Strategic customer centricity applies to
    1. The marketing department
    2. Product development
    3. Service and Customer Care
    4. Human Resources
    5. Finance department
    6. Supply chain management
    7. \*All of the above
    8. A and C
28. “Switching costs” refer to
    1. The fee for switching the direction of delivery in the supply chain
    2. The cost to the company if the customer switches to a competitor
    3. \*The cost to the customer of switching to a competitor from one brand to another
    4. None of the above
29. Learning Relationships provide a competitive edge so long as
    1. A company knows more about a product than the competitor does
    2. \*A company knows more about a customer than the competitor does
    3. A company knows more about customer care technologies than the competitor does

Fill in the Blank

1. Although customer-centric companies focus on one customer at a time, there will still be a need for traditional mass media and branding, for three reasons. Name two of them.

\*Communicate to nonusers who have not yet raised their hands.

\*Build image and brand identity.

\*Establish a brand position with nonusers to help users make a statement about their own image.

1. “Learning Relationships” with customers can best be described as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

* “Relationships that get smarter and smarter about an individual customer’s needs, as the customer continues to use and interact with the brand.” Not to be confused with *database marketing* or *“target” marketing*.

Short Essay

1. Describe the difference between market share and share of customer.

\*The amazon.com/Barnes & Noble story serves to illustrate the fundamental difference between a very well-run *product-oriented* company (Barnes & Noble, which has stores to populate with products and tries to find customers for those products) and a fairly well-run *customer-oriented* company (Amazon.com, which got us all as customers to buy books and DVDs, and now wants to sell each of us everything).

In Exhibit 1.3, the horizontal bar can be thought of as an enterprise’s market share—the proportion of total customers who have their needs satisfied by a particular enterprise, or the percentage of total products in an industry sold by this particular firm. But the customer-value enterprise focuses on share of customer— the percentage of this customer’s business that a particular firm gets—represented by the height of the vertical bar.

A correct answer could be a drawing of the horizontal/vertical bar chart (that is, Exhibit 1.3) or just the narrative description.

2. Name at least three ways a customer-focused business model is different from mass marketing.

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2.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\* The principles of a customer-focused business model differ in many ways from mass marketing. Specifically:

* The aggregate-market enterprise competes by differentiating products, whereas the customer-driven enterprise competes by differentiating customers.
* The traditional, aggregate-market enterprise attempts to establish an actual product differentiation (by launching new products or modifying or extending established product lines) or a perceived one (with advertising and public relations). The customer-driven enterprise caters to one customer at a time and relies on differentiating each customer from all the others.
* The traditional marketing company, no matter how friendly, ultimately sees customers as adversaries, and vice versa. The company and the customer play a zero-sum game: If the customer gets a discount, the company loses profit margin. Their interests have traditionally been at odds; the customer wants to buy as much product as possible for the lowest price, while the company wants to sell the least product possible for the highest price. If an enterprise and a customer have no relationship prior to a purchase, and they have no relationship following it, then their entire interaction is centered on a single, solitary transaction and the profitability of that transaction. Thus, in a transaction-based, product-centric business model, buyer and seller are adversaries, no matter how much the seller may try not to act the part. In this business model, practically the only assurance a customer has that he can trust the product and service being sold to him is the general reputation of the brand itself.

By contrast, the customer-based enterprise aligns customer **collaboration** with profitability. Compare the behaviors that result from both sides if each transaction occurs in the **context** of a longer-term relationship. For starters, a one-to-one enterprise would likely be willing to fix a problem raised by a single transaction at a loss if the relationship with the customer were profitable long term.

The central purpose of managing customer relationships and experiences is for the enterprise to focus on increasing the overall value of its customer base—and customer retention is critical to its success. Increasing the value of the customer base, whether through *cross-selling* (getting customers to buy other products and services), *upselling* (getting customers to buy more expensive offerings), or customer referrals, will lead to a more profitable enterprise. The enterprise can also reduce the cost of serving its best customers by making it more convenient for them to buy from the enterprise (e.g., by using Amazon’s one-click ordering process or online banking rather than a bank teller).

And although technology accelerates customer relationships, it is not the same as building customer value. While one-to-one customer relationships are enabled by technology, executives at firms with strong customer relationships and burgeoning **customer equity (CE)** believe that the enabling technology should be viewed as the means to an end, not the end itself. Managing customer experiences and relationships is an ongoing business process, not merely a technology.

1. At an enterprise customer (also known as B2B), describe the “customer.”

\*A combination of the purchasing agent, who wants the cheapest price, the end-user employee, who wants the best product and support, and the end-user employee’s manager, who wants the fastest workflow with the greatest accuracy.