# Chapter 4
# Consumer Behavior, Online Market Research, and Customer Relationship Management

## True-False Questions

1. Ritchey Design, Inc. proved that the only way to collect valid market research data from a Web site is to use the site to sell products directly to customers.

   **Answer:** F                    **Reference:** Ritchey Design Learns About Customers

2. Personal characteristics of customers are uncontrollable variables for e-commerce companies.

   **Answer:** T                    **Reference:** A Model of Consumer Behavior Online

3. Vendors control the moderating variables.

   **Answer:**  T                    **Reference:** A Model of Consumer Behavior Online

4. Decisions made by buyers are called independent variables.

   **Answer:** F                    **Reference:** A Model of Consumer Behavior Online

5. Personal characteristics and environmental variables are examples of moderating variables.
   **Answer:** F                    **Reference:** The Independent Variables

6. The more experience people have with Internet shopping, the more likely they are to spend money online.

   **Answer:** T                    **Reference:** The Independent Variables

7. Age, gender, and ethnicity are examples of environmental characteristics in the EC consumer behavior model.

   **Answer:** F                    **Reference:** The Independent Variables

8. Social, cultural, and community variables are examples of environmental variables.

   **Answer:** T                    **Reference:** The Independent Variables

9. Customer service and logistics are two examples of moderating variables.

   **Answer:** T                    **Reference:** The Intervening (Moderating) Variables

10. Moderating variables include customer decisions such as what to buy and whether to buy.

    **Answer:** F                    **Reference:** The Dependent Variables: The Buying Decisions

11. The starter is the first person to think of the idea of buying a particular product.

    **Answer:** F                    **Reference:** The Consumer Decision-Making Process

12. An influencer is one who's opinion is sought when a purchase decision is being made.

    **Answer:** T                    **Reference:** The Consumer Decision-Making Process

13. The ultimate decision maker in a purchase decision is the buyer.

    **Answer:** F                    **Reference:** The Consumer Decision-Making Process

14. The user is the ultimate consumer of a product.

    **Answer:** T                    **Reference:** The Consumer Decision-Making Process

15. In consumer purchasing decision-making, the buyer and the user are not always the same person.

    **Answer:** T                     **Reference:**  The Consumer Decision-Making Process

16. Harriet tells you that she thinks it's time for you to replace your 1988 Ford. She offers no advice as to what car you should buy. Harriet is an influencer.

    **Answer:** F                    **Reference:** The Consumer Decision-Making Process

17. When the front wheel falls off Ron's car, he decides it is time to buy a car with all its wheels. This imbalance between a desired state and an actual state is called need identification.

    **Answer:** T                    **Reference:** A Generic Purchasing-Decision Model

18. Product brokering involves deciding which seller (broker) of a product to purchase from.

    **Answer:** F                    **Reference:** A Generic Purchasing-Decision Model

19. In the post-purchase phase, a buyer decides whether or not he/she is satisfied with the product purchased.

    **Answer:** T                    **Reference:** A Generic Purchasing-Decision Model

20. In one-to-one marketing, each of the "Four P's" of marketing can be tailored to the specific needs of an individual customer.

    **Answer:** T                    **Reference:** How One-to-One Relationships are Practiced

21. One-to-one marketing requires that a company be willing to change its behavior toward an individual customer based on what is known about this customer.

   **Answer:** T          **Reference:** How One-to-One Relationships are Practiced

22. The user profile defines customer preferences, behaviors and demographics.

   **Answer:** T          **Reference:** Personalization

23. Collaborative filtering is a technique which predicts which products or services a customer may enjoy based on formulas derived from behavioral science.

   **Answer:** T          **Reference:** Collaborative Filtering

24. Rule-based filtering occurs when filtering rules are built by watching a user's activities on the Web.

   **Answer:** F          **Reference:** Collaborative Filtering

25. Customer loyalty is product focused, not brand focused.

   **Answer:** F          **Reference:** Customer Loyalty

26. It costs a company more to acquire a new customer than to keep an old one.

   **Answer:** T          **Reference:** Customer Loyalty

27. Trust is a psychological status of involved parties who are willing to pursue further interactions to achieve a planned goal.

   **Answer:** T          **Reference:** Trust in EC

28. Focus groups are pieces of a larger market upon which a company intends to focus its market efforts.

   **Answer:** F          **Reference:** Market Segmentation

29. The greatest shortcoming of online market research is that there is too little data available to make quality decisions.

   **Answer:** F          **Reference:** Limitations of Online Market Research

30. Loyalty programs are designed to win new, first-time customers.

   **Answer:** F          **Reference:** Types of CRM

31. In up-sell CRM, customers are offered enhanced products that they will like as a way to increase customer loyalty.

   **Answer:** T          **Reference:** Types of CRM

32. Metrics are standards of performance for CRM activities.

     **Answer:** T                **Reference:**  Metrics in Customer Service and  CRM

33. Studies have shown that customers are willing to wait up to two minutes for a Web site to load.

     **Answer:** F                **Reference:**  Metrics in Customer Service and  CRM

34. In customer-facing CRM applications, customers interact directly with the CRM application.

     **Answer:** F                **Reference:**  Classification of CRM Activities

35. A single, server-based data repository that allows centralized analysis, security and control over the data is called a data warehouse.

     **Answer:** T                **Reference:**  Customer-Centric Applications

36. Mobile CRM refers to the delivery of CRM applications to any user, whenever and wherever needed.
     **Answer:** T                **Reference:**  Mobile CRM

37. Even though the number of individual consumers is much larger than the number of organizational buyers, organizational buyers do most of the actual buying online.

     **Answer:** T                **Reference:** Organizational Buyer Behavior

38. Organizational buyers usually buy products for personal consumption.

     **Answer:** F                **Reference:** Organizational Buyer Behavior

39. In affiliate services, the affiliate company receives revenue every time it drives customers to the target site.

     **Answer:** T                **Reference:** Affiliate Programs, Infomediaries, and Data Mining

40. The primary function of infomediaries is to perform data mining for customers.

     **Answer:** T                **Reference:** Infomediaries and Online Data Mining Services

## Multiple Choice Questions

41. Ritchey Design, Inc. converted its Web site from a status symbol to a source of valid market research data. This transformation is an example of:

    a. eliminating an unnecessary intermediary.
    b. changing from a passive to an interactive Web site.
    c. personalization.
    d. CRM.

    **Answer**: b      **Reference**: Ritchey Design Learns About Customers

42. In the consumer behavior model, personal characteristics are classified as:

    a. independent variables.
    b. moderating variables.
    c. decision variables.
    d. dependent variables.

    **Answer**: a      **Reference**: A Model of Consumer Behavior Online

43. In the consumer behavior model, variables within the vendor's control are classified as:

    a. independent variables.
    b. moderating variables.
    c. decision variables.
    d. dependent variables.

    **Answer**: b      **Reference**: A Model of Consumer Behavior Online

44. In the consumer behavior model, decisions made by buyers are classified as:

    a. independent variables.
    b. moderating variables.
    c. intervening variables.
    d. dependent variables.

    **Answer**: d      **Reference**: A Model of Consumer Behavior Online

45. In consumer behavior models, price, promotion, quality, and product are examples of:

    a. individual customer characteristics.
    b. stimuli.
    c. environmental characteristics.
    d. decision making components.

    **Answer**: b      **Reference**: A Model of Consumer Behavior Online

46.    In the consumer behavior model, age, gender, and personality are classified as:

    a.    independent variables.
    b.    moderating variables.
    c.    intervening variables.
    d.    dependent variables.

**Answer**: a                    **Reference**:    The Independent Variables

47.    The most often sited reason for not making purchases online is:

    a.    concern about fraud.
    b.    concern about quality.
    c.    concern about shipping costs.
    d.    lack of technical expertise.

**Answer**: c                    **Reference**:    The Independent Variables

48.    In the consumer behavior model, social variables and cultural/community variables are classified as:

    a.    independent variables.
    b.    moderating variables.
    c.    intervening variables.
    d.    dependent variables.

**Answer**: a                    **Reference**:    The Independent Variables

49.    In the consumer behavior model, pricing, branding, and promoting are classified as:

    a.    independent variables.
    b.    moderating variables.
    c.    intervening variables.
    d.    dependent variables.

**Answer**: b                    **Reference**:    The Moderating Variables

50.    In the consumer behavior model, what to buy, when to buy, and where to buy are classified as:

    a.    independent variables.
    b.    moderating variables.
    c.    intervening variables.
    d.    dependent variables.

**Answer**: d                    **Reference**:    The Dependent Variables: The Buying
                                                       Decision

51. In buying decisions, deciders make all of the following decisions **EXCEPT:**

    a. whether to buy.
    b. when to use what was bought.
    c. where to buy.
    d. what to buy.

    **Answer**: b         **Reference**: The Consumer Decision-Making Process

52. Someone who offers advice in purchase decisions, but doesn't participate in the actual purchase process is called:

    a. an initiator.
    b. a decider.
    c. a user.
    d. an influencer.

    **Answer**: d     **Reference**: The Consumer Decision-Making Process

53. A realization that a difference exists between reality and a desired state occurs in the _____ stage of purchasing decision-making.

    a. alternatives evaluation
    b. need identification
    c. information search
    d. after-purchase evaluation

    **Answer**: b         **Reference**: A Generic Purchasing-Decision Model

54. Rolly uses his brand new computer to make a stock trade. He also balances his checkbook and plays a new computer game. Rolly decides his computer is great. This process is called:

    a. after-purchase evaluation.
    b. satisfaction search.
    c. alternative evaluation.
    d. information search.

    **Answer**: a         **Reference**: A Generic Purchasing-Decision Model

55. The process of matching particular product attributes with a customer's desires is called:

    a. alternative evaluation.
    b. customer service.
    c. personalization.
    d. customer satisfaction.

    **Answer**: c         **Reference**: Personalization

56.  Treating each customer in a unique way in order to fit the customer's needs and other characteristics is called:

a.  e-tailing.
b.  many-to-one marketing.
c.  merchant brokering.
d.   one-to-one marketing.

**Answer**: d            **Reference**:  One-to-One Marketing and Personalization in EC

57.  Harold completes a survey about his interests when he registers with a new Web site. The information is stored in a database so that Harold will only see information he is interested in when he visits the site. The purpose of collecting this data is to build a(n):

a.  user profile.
b.  decision variable.
c.  collaborative filter.
d.  cookie.

**Answer**: a            **Reference**:  Personalization

58.  All of the following techniques are used to build online user profiles **EXCEPT**:

a.  solicit information directly from the user.
b.  observe what people are doing online.
c.  purchase addresses and phone numbers from a telemarketer.
d.  build information from prior purchase patterns.

**Answer**: c            **Reference**:  Personalization

59.  Frequent visitors to some book sites see lists of suggested titles based on their previous purchases at the site. This is an example of:

a.  content-based filtering.
b.  rule-based filtering.
c.  constraint-based filtering.
d.  collaborative filtering.

**Answer**: d            **Reference**:  Collaborative Filtering

60. A company asks a customer a series of multiple-choice questions. The company uses this information to predict which products the customer might be most interested in purchasing. This is an example of:

    a. content-based filtering.
    b. rule-based filtering.
    c. constraint-based filtering.
    d. collaborative filtering.

    **Answer**: b          **Reference**: Collaborative Filtering

61. A company asks customers to indicate favorite products. Based on these selections, the company recommends other products the customer might like. This is an example of:

    a. content-based filtering.
    b. rule-based filtering.
    c. constraint-based filtering.
    d. collaborative filtering.

    **Answer**: a          **Reference**: Collaborative Filtering

62. A Web site provides a personalized product list for visitors based on responses provided by the visitor regarding product preferences. This type of filtering is called:

    a. collaborative filtering.
    b. constraint-based filtering
    c. rule-based filtering
    d. content-based filtering.

    **Answer**: d          **Reference**: Collaborative Filtering

63. The degree to which a customer will continue to buy from a specific vendor over time is called customer:

    a. trust.
    b. satisfaction.
    c. loyalty.
    d. relationship strength.

    **Answer**: c          **Reference:** Customer Loyalty

64. The process of dividing a consumer market into logical groups for the purpose of conducting research is called:

    a. target marketing.
    b. market segmentation.
    c. marketing research.
    d. personalization.

    **Answer**: b          **Reference**: Market Segmentation

65. The biggest difficulty in using online surveys to learn about the market is:

   a. the technology to collect such information is not dependable.
   b. it is difficult to get a large enough sample to be meaningful.
   c. it is hard to get a random sample.
   d. customers tend to distrust surveys.

   **Answer**: c                            **Reference**:  Online Market Research Methods

66. Data collected inside the Web environment which provide insight into the customer's online activities is called**:**

   a. clickstream data.
   b. cookie data.
   c. protected data.
   d. transaction data.

   **Answer**: a                    **Reference**:   Online Market Research Methods

67. All of the following are potential limitations of online market research **EXCEPT**:

   a. responses may not be accurate.
   b. equipment problems may result in the loss of respondents.
   c. it is impossible to read body language online.
   d. there is often too little data to analyze.

   **Answer**: d                    **Reference**:   Limitations of Online Market Research

68. When Marie places an order for a replacement black ink cartridge for her printer, the site returns information about colored ink cartridges and paper. This is an example of:

   a. up-selling.
   b. a customer loyalty program.
   c. cross-selling.
   d. prospecting.

   **Answer**: c                    **Reference**:   CRM and Its Relationship with EC

69. In addition to its book sale site, Amazon.com runs a site offering to find out-of-print books for readers. This is an example of:

   a. Amazon's foundation of service.
   b. a customer-centered service.
   c. prospecting.
   d. a value-added service.

   **Answer**: d                    **Reference**:   The Scope of CRM

70.  Prepurchase support includes:

a.  providing timely delivery on all purchases.
b.  providing information to potential customers to encourage them to buy.
c.  providing information to keep the customer interested in the company between purchases.
d.  providing an efficient, easy to use shopping environment.

**Answer**: b                          **Reference**:   The Extent of Service

71.  All of the following are examples of online customer service metrics **EXCEPT:**

e.  navigability.
f.  response time.
g.  product failure rate.
h.  site availability.

**Answer**: c                          **Reference**:   Metrics in Customer Service and CRM

72.  A manufacturer of computer peripherals maintains a Web site where registered customers can exchange ideas about innovative ways to use their new peripherals. This is an example of:

a.  online networking.
b.  a customer-facing application.
c.  a customer-touching application.
d.  a customer-centric intelligence application.

**Answer**: a                          **Reference**:   Classifications of CRM Applications

73.  The most popular online customer service tool is:

a.  the moderated discussion board.
b.  e-mail.
c.  spam.
d.  the call-back center.

**Answer**: b                          **Reference**:   Automated Responses to E-Mail
    (Autoresponder)

74.  Yahoo! allows its customers to create a personal Web page which contains only the information they are interested in following. This is an example of:

a.  online networking.
b.  a customer-facing application.
c.  a customer-touching application.
d.  a customer-centric intelligence application.

**Answer**: c                          **Reference**:   Customer-Touching Applications

75. Sifting through the tremendous amounts of data collected at a company's Web site in order to find relevant behavior patterns is called:

    a. data mining.
    b. focus group surveying.
    c. Web-based surveying.
    d. cookie tracking.

    **Answer**: a                    **Reference**:  Data Analysis and Mining

76. ARAMCO is a producer of bird houses. It uses nails, wood, and paint in making its products. Nails, wood, and paint are:

    a. consumer products.
    b. indirect materials.
    c. direct materials.
    d. raw materials.

    **Answer**: c                    **Reference**:  Organizational Buyer Behavior

77. An online mystery book club displays a banner ad for Amazon.com on its Web site. The club receives revenue every time someone clicks on this banner. This is an example of a(n) _____ program.

    a. target marketing
    b. focus group
    c. affiliate marketing
    d. B2B

    **Answer**: c                    **Reference**:  Affiliate Programs, Infomediaries, and Data
                                                    Mining

78. A repository that makes operational data accessible in a form readily acceptable for analytical processing activities is called a(n):

    a. data warehouse.
    b. data mine.
    c. data storehouse.
    d. data framework.

    **Answer**: a                    **Reference**:  Appendix 4A: Data Warehouses

**Essay Questions**

79. Explain how companies utilize intervening variables to influence customer decision-making processes.

    **Answer:** Responses will vary. The general idea is that companies manipulate product, price, promotion, and place to influence customer buying decisions.

    **Reference:** Models of Consumer Behavior Online

80. Describe the five steps in consumer purchasing decision making.

    **Answer:**
    1. Need identification – customer realizes there is a difference between reality and the state he/she desires.
    2. Information search – customer gathers information from either, or both, memory and external sources relating to how to satisfy the need.
    3. Alternatives evaluation – customer applies decision criteria to the alternatives generated by the information search and makes a selection.
    4. Purchase and Delivery – customer takes the steps necessary to purchase the product and transfer legal and physical ownership of the product.
    5. After-purchase evaluation – customer considers how well the product meets the identified need and decides satisfaction level.

    **Reference:** The Consumer Decision-Making Process

81. What is market segmentation?

    **Answer:** The process of dividing a consumer market into its component pieces based on one or more factors such as demographics, geography, and behavioral characteristics.

    **Reference:** Market Segmentation

82. List three limitations of online market research.

    **Answer:** Any three of:
    1. There may be too much data available.
    2. Responses may be inaccurate.
    3. Technical problems may cause a loss of respondents.
    4. There are ethical and legal considerations.
    5. There are no visual or body language cues regarding meaning from respondents.
    6. It is difficult to build representative samples.

    **Reference:** Limitations of Online Market Research

83.   Describe three classifications of CRM programs and give an example of each.

**Answer:**  Any three of:
1.   Loyalty Programs – Aimed at increasing customer loyalty through rewards (frequent flier programs).
2.   Prospecting – Aimed at new, first-time customers (spam).
3.   Save or Win Back Programs – Aimed at convincing customers to remain a customer or to convince customers who have deserted to come back (e-mails sent to customers who haven't bought in a long time).
4.   Cross-selling – Encourages customers to buy related products (providing information about color ink cartridges when a customer orders a black cartridge).
5.   Up-selling – Encourages customers to buy a more expensive product than the one they are considering (reminding customers about a deluxe model when they try to order a base model).

**Reference:** Types of CRM