Chapter 7

1. What is the primary goal of relationship marketing?

A) To attract new customers
B) To maximize short-term profits
C) To retain and enhance customer satisfaction\*
D) To reduce marketing costs

2. Why has relationship marketing gained importance in recent decades?

A) Customers no longer care about price
B) Businesses prefer short-term customers
C) Retaining existing customers is more cost-effective than acquiring new ones\*
D) Advertising has become irrelevant

3. What is Soho House best known for?

A) Being a luxury hotel chain
B) Catering exclusively to business travelers
C) Creating an exclusive social club experience for creative professionals\*
D) Offering low-cost memberships

4. How does Soho House maintain exclusivity?

A) By charging extremely high fees
B) By limiting the number of memberships
C) By using a membership committee to select applicants\*
D) By only allowing celebrities to join

5. What was a key factor in Soho House’s customer retention strategy?

A) Frequent discount promotions
B) Eliminating the waiting list
C) Creating a sense of community among members\*
D) Reducing membership fees for all members

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

A) Customer retention
B) Customer loyalty
C) Aggressive sales tactics\*
D) Personalized service

7. Why do repeat customers generate more profit than new customers?

A) They require less marketing effort
B) They tend to purchase more frequently
C) They are less price-sensitive
D) All of the above\*

8. What is the first step in the Customer Relationship Management (CRM) model?

A) Developing loyalty programs
B) Building a customer database\*
C) Offering discounts to loyal customers
D) Measuring customer satisfaction

9. How does British Airways use data for customer retention?

A) By reducing ticket prices
B) By offering free flights to all customers
C) By identifying high-value customers and targeting them with special offers\*
D) By limiting loyalty program benefits

10. Which retention strategy primarily focuses on financial incentives?

A) Customization bonds
B) Financial bonds\*
C) Social bonds
D) Structural bonds

11. What is an example of a social bond in relationship marketing?

A) Discounted rates for repeat customers
B) Free upgrades for all customers
C) Building long-term relationships through personal interactions\*
D) Offering free internet access to all guests

12. Which company is known for using personalization to build strong customer relationships?

A) JetBlue
B) Hilton
C) Ritz-Carlton\*
D) Airbnb

13. What is a key feature of Ritz-Carlton’s customer service strategy?

A) Randomized guest services
B) Eliminating customer preferences
C) Maintaining a detailed guest history profile\*
D) Avoiding personal interaction with customers

14. What is a primary feature of structural bonds in customer retention?

A) Offering short-term discounts
B) Reducing interaction with customers
C) Integrating technology-based services to enhance customer convenience\*
D) Providing free loyalty memberships

15. Which of the following is an example of a loyalty program?

A) Cold calling potential customers
B) Increasing social media ads
C) Sending generic marketing emails
D) Offering frequent flyer miles\*

16. What is a common challenge for companies with loyalty programs?

A) Customers using loyalty points too quickly
B) Too many customers participating
C) Difficulty in tracking customer spending
D) Customers expecting elevated experiences beyond traditional perks\*

17. How does the 80/20 rule apply to customer loyalty?

A) 80% of customers are unprofitable
B) 80% of new customers leave within a year
C) 20% of customers generate 80% of sales\*
D) 80% of customers prefer one-time purchases

18. What is an example of a coalition loyalty program?

A) A hotel chain offering discounts to repeat guests
B) Airlines partnering with hotels, rental car companies, and restaurants to provide shared loyalty benefits\*
C) A casino offering free meals to high-spending customers
D) A coffee shop offering a free drink after ten purchases

19. Why do businesses segment customers based on profitability?

A) To eliminate the least profitable customers
B) To offer the same rewards to all customers
C) To allocate resources efficiently to maximize returns\*
D) To create artificial exclusivity

20. What is the primary goal of customer segmentation?

A) To exclude unprofitable customers
B) To reduce the overall customer base
C) To tailor marketing efforts based on customer value and needs\*
D) To increase product pricing

21. How do AI and digital tools enhance loyalty programs?

A) By making them more expensive to operate
B) By reducing the need for human customer service
C) By personalizing rewards and improving customer experience\*
D) By limiting customer interactions

22. Why do some businesses “fire” unprofitable customers?

A) To reduce their overall customer base
B) Because serving them is too costly and unproductive\*
C) To improve their brand image
D) To increase short-term revenue

23. How does the concept of “customer lifetime value” impact marketing strategy?

A) It focuses only on first-time buyers
B) It reduces the need for customer service
C) It helps companies determine which customers to invest in for long-term profitability\*
D) It prioritizes new customers over repeat customers

24. What was a major factor in Marriott Bonvoy’s loyalty program success?

A) Offering only free stays
B) Limiting participation to elite customers
C) Integrating a variety of ways for customers to earn and redeem points\*
D) Avoiding digital marketing strategies

35. How does personalization impact customer loyalty?

A) Customers do not care about personalization
B) It increases marketing costs without benefits
C) It enhances customer satisfaction and increases retention rates\*
D) It reduces customer engagement