

TEST BANK



Retail Management

A Strategic Approach

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12E

CHAPTER 2
BUILDING AND SUSTAINING RELATIONSHIPS IN RETAILING

Multiple Choice - Terminology/Concept

1. A fundamental concept of the value chain is the _____.
 - a. interrelationship among manufacturer, wholesaler, and retailer
 - b. independence of all channel members
 - c. notion that value is interpreted similarly by all final consumers
 - d. notion that value is affected by price alone(a; Challenging; p. 27)

2. From the customer's perspective, value is based on _____.
 - a. perceptions
 - b. quality alone
 - c. retailer benefits alone
 - d. price alone(a; Moderate; p. 27)

3. The minimum value chain elements a given customer segment anticipates from a given type of retailer is referred as a(n) _____ retail strategy.
 - a. potential
 - b. realized
 - c. expected
 - d. augmented(c; Moderate; p. 27)

4. A(n) _____ retail strategy encompasses the extra elements in a value chain that differentiate one retailer from another.
 - a. potential
 - b. augmented
 - c. expected
 - d. realized(b; Moderate; p. 27)

5. A(n) _____ retail strategy encompasses value chain elements not yet perfected by any competing firm in a retailer's industry category.
 - a. potential
 - b. expected
 - c. augmented
 - d. realized(a; Moderate; p. 27)

6. A retailer's customers who are most loyal and who have the highest average sales can be classified as its _____.
 - a. outshoppers
 - b. target market
 - c. primary customers
 - d. core customers(d; Challenging; p. 30)

Multiple Choice - Terminology/Concept

7. Expected customer services _____.
a. are considered basic ingredients in the retail offering
b. complement a store's extended offering
c. are extra ingredients that add to the retail offering
d. are provided to customers free of charge
(a; Challenging; p. 31)
8. A retailer can reinforce its competitive advantage by providing _____ services.
a. augmented customer
b. basic
c. ancillary customer
d. expected customer
(a; Challenging; p. 31)
9. Allowing workers to have discretion to satisfy customers most closely illustrates _____.
a. relationship retailing
b. employee empowerment
c. a customer loyalty program
d. the retailing concept
(b; Moderate; p. 31)
10. An advantage of a retailer-generated credit card is _____.
a. no bad debt or slow-payment problems
b. no need for credit checks
c. low startup costs
d. the encouragement of store loyalty
(d; Challenging; p. 33)
11. In a revolving credit account, _____.
a. a customer is billed at the end of the month on the basis of the outstanding cumulative balance
b. no interest is assessed if a consumer pays part of the bill when it is due
c. a customer can exceed his/her credit limit
d. a customer must pay his/her bill in full when it becomes due
(a; Moderate; p. 33)
12. A form of revolving credit is a(n) _____ credit account.
a. extended revolving
b. retailer-generated
c. open
d. option
(d; Moderate; p. 33)
13. No interest is assessed if the consumer pays his/her bill in full when it is due or a partial payment can be made in a(n) _____ credit account.
a. open
b. monthly
c. option
d. revolving
(c; Moderate; p. 33)

Multiple Choice - Terminology/Concept

14. With an open payment credit account, _____.
a. a customer is billed at the end of the month on the basis of the outstanding balance
b. a consumer pays for a purchase in equal installments
c. a customer can exceed his/her credit limit
d. a customer must pay the bill in full when it becomes due
(d; Moderate; pp. 33-34)
15. Partial, revolving payments are not permitted in _____.
a. revolving credit accounts with a maximum credit limit
b. monthly payment credit accounts
c. open credit accounts
d. option credit accounts
(c; Challenging; pp. 33-34)
16. Which of the following is not a major advantage of the use of centralized customer service areas?
a. The salesperson is able to recommend alternative goods and services.
b. A common store policy is ensured.
c. The department can be placed in a space with little activity.
d. Specialized personnel can be used.
(a; Challenging; p. 34)
17. Which of the following is not an attribute of an effective customer loyalty program?
a. a program where participation rules frequently change
b. a reward that is appealing to customers
c. a data bank that tracks purchases and rewards eligibility
d. an award that is attainable in a reasonable time frame
(a; Moderate; p. 36)
18. Which statement concerning a value delivery system is not correct?
a. Each channel member is dependent on each other.
b. A value delivery system is as strong as its weakest link.
c. Value delivery systems are relatively simple to develop and administer.
d. Nonstore retailing requires a different delivery system than store-based retailing.
(c; Challenging; pp. 36-37)
19. Consumers lease physical products for a specified period of time with _____ services.
a. intangible
b. owned-goods
c. nongoods
d. rented-goods
(d; Moderate; pp. 36-37)
20. Car rental and airplane travel are examples of _____ services.
a. regulated goods
b. owned-goods
c. nongoods
d. rented-goods
(d; Challenging; pp. 36-37)

Multiple Choice - Terminology/Concept

21. Consumers have physical products that they possess repaired or altered with _____ services.
- owned-goods
 - repair
 - rented-goods
 - nongoods
- (a; Moderate; p. 38)
22. Computer and auto repair are examples of _____ services.
- nongoods
 - repair
 - owned-goods
 - rented-goods
- (c; Challenging; p. 38)
23. Accounting and legal services are examples of _____ services.
- proforma
 - rented-goods
 - nongoods
 - owned-goods
- (c; Challenging; p. 38)
24. Physical products are not involved in which type of service?
- repair services
 - nongoods services
 - rented-goods services
 - owned-goods services
- (b; Challenging; p. 38)
25. Which service attribute limits expansion possibilities for a service provider?
- industrialization of services
 - intangibility
 - perishability
 - inseparability of the service from its provider
- (d; Challenging; p. 38)
26. An example of perishability of a service is _____.
- the inseparability of the producer from the service
 - the variability of a service's quality
 - that some services cannot be inventoried or stored
 - that the owner-operator is indispensable
- (c; Challenging; p. 38)
27. "The revenues from an unrented hotel room are forever lost." This statement refers to which characteristic of services?
- intangibility
 - perishability
 - variability
 - inseparability
- (b; Moderate; p. 38)

Multiple Choice - Terminology/Concept

28. Electronic banking involves _____.
a. end-of-month credit statements
b. the use of standardized credit systems on a national level
c. video-recording systems
d. the use of automatic teller machines and the instant processing of retail purchases
(d; Moderate; p. 40)
29. In an electronic debit payment plan, the purchase price _____.
a. must be paid by the consumer at the time the bill is received
b. must be paid by the consumer within 10 days of the time the bill is received
c. is immediately deducted from a consumer's bank account and transferred to a retailer's account
d. can be financed through many different payment plans
(c; Moderate; p. 40)
30. A(n) _____ card contains an electronic strip that stores and modifies information as transactions take place.
a. smart
b. debit
c. credit
d. interactive
(a; Moderate; p. 40)
31. A retailer can reduce labor costs associated with shopping-line waiting time through _____.
a. logistics management
b. mass customization
c. self-scanning
d. inventory scheduling
(c; Challenging; p. 41)
32. Environmental issues are generally covered in _____.
a. social responsibility
b. consumer rights
c. ethics
d. consumerism
(a; Challenging; p. 44)
33. The activities of government, business, and independent organizations designed to aid and protect shoppers involve _____.
a. advertising regulation
b. social responsibility
c. consumerism
d. a consumer orientation of business
(c; Moderate; p. 45)
34. The four consumer rights as stated by President Kennedy about 50 years ago are _____.
a. value, choice, safety, and to be heard
b. safety, information, choice, and to be heard
c. low prices, competition, return policy, and credit
d. information, choice, safety, and credit
(b; Moderate; p. 45)

Multiple Choice - Terminology/Concept

35. A retailer has a detailed labeling system on all toy products aimed at children less than 5 years old. This illustrates the right to _____.
a. be informed
b. redress
c. choose
d. service
(a; Moderate; p. 45)

Multiple Choice - Applied/Comprehensive/Integrative

36. From a consumer's perspective, value is based on _____.
a. the perception of benefits received versus price paid
b. who performs each of the elements in a value chain
c. who performs the visible elements in a value chain
d. only the price paid
(a; Challenging; p. 27)
37. An example of an expected retail strategy for a new-car dealer is _____.
a. transportation to and from home during auto repair
b. warranty repair work conducted free-of-charge
c. coffee and danish served in a waiting room during auto repair
d. 24-hour-a-day, 7-day-a-week auto towing for customers
(b; Challenging; p. 27)
38. Which retail strategy can be used by a retailer as a competitive advantage?
a. expected retail strategy
b. primary retail strategy
c. augmented retail strategy
d. secondary retail strategy
(c; Challenging; p. 27)
39. Which retail strategy is typically based on benchmarking from firms in other industries?
a. potential retail strategy
b. primary retail strategy
c. augmented retail strategy
d. expected retail strategy
(a; Challenging; p. 27)
40. Retailers practice relationship retailing with _____ customers.
a. nonregular
b. regular
c. core
d. former
(c; Challenging; p. 30)

Multiple Choice - Applied/Comprehensive/Integrative

41. Expected customer services are generally offered _____.
a. to all customers
b. free-of-charge
c. at a fee which enables the retailer to break even
d. at a fee which enables the retailer to earn a fair profit over the cost of the service
(a; Challenging; p. 31)
42. The distinction of whether a customer service is considered expected or augmented is based upon the _____.
a. degree of computerization
b. retailer size
c. cost of the service offered
d. target market served
(d; Challenging; p. 31)
43. A(n) _____ customer service to a full-service specialty shop would be a _____ customer service to a price-oriented discounter.
a. primary, secondary
b. primary, potential
c. expected, augmented
d. augmented, expected
(c; Challenging; p. 31)
44. An advantage to a retailer's using retailer-generated credit cards is _____.
a. no bad debt
b. low retailer startup costs
c. the development of store loyalty
d. rapid cash flow
(c; Challenging; p. 33)
45. At the consumer's option, an option credit account can be either paid in full or be a _____.
a. layaway plan
b. deferred billing account
c. COD account
d. revolving credit account
(d; Moderate; p. 33)
46. A retailer offers an option credit account to its customers; interest is charged at 15 percent per year. If a consumer buys \$400 in merchandise on January 1 and receives the bill January 15, how much must the consumer remit to pay the account in full?
a. \$400
c. \$403
b. \$406
d. \$409
(a; Challenging; p. 33)

Multiple Choice - Applied/Comprehensive/Integrative

47. A retailer offers a revolving credit account to its customers; interest is charged at 18 percent per year. If a customer buys \$400 in merchandise in November and carries the total balance over for one month, how much must the customer remit to pay the account in full?
- \$400
 - \$403
 - \$406
 - \$409
- (c; Challenging; p. 33)
48. Which statement concerning customer satisfaction is not correct?
- According to the American Customer Satisfaction Index, fast-food firms rate lowest among retailers in customer satisfaction.
 - Most shoppers complain when they are dissatisfied.
 - “Very satisfied” shoppers are much more likely to remain loyal than “satisfied” shoppers.
 - Customer expectations generally move upwards over time.
- (b; Challenging; p. 35)
49. Rewards, value-added benefits, and customer recognition are three complementary elements in _____.
- relationship retailing
 - customer service
 - a service-based program
 - a customer loyalty program
- (d; Challenging; pp. 35-36)
50. A value delivery system is based on _____.
- outsourcing
 - cost minimization
 - a high degree of cooperation among all channel members
 - one channel member conducting all activities
- (c; Challenging; pp. 36-37)
51. The type of service retailing that most closely resembles goods-based retailing involves _____ services.
- professional
 - rented-goods
 - owned-goods
 - nongoods
- (b; Challenging; pp. 37-38)
52. Which type of service is generally leased?
- rented-goods service
 - owned-goods service
 - nongoods service
 - regulated-goods service
- (a; Challenging; p. 37)

Multiple Choice - Applied/Comprehensive/Integrative

53. Owned-goods service providers often receive competition from _____.
a. outshoppers
b. do-it-yourselfers
c. in-home shoppers
d. personalizing shoppers
(b; Moderate; p. 38)
54. The least tangible type of service is _____ services.
a. regulated goods
b. nongoods
c. owned-goods
d. rented-goods
(b; Challenging; p. 38)
55. Ease of entry is simplest for which service retailer type?
a. nongoods retailer
b. rental-goods retailer
c. retailer with extensive licensing requirements
d. leased goods retailer
(a; Challenging; p. 38)
56. A firm should seek to increase service tangibility by _____.
a. adding computers
b. utilizing only the services of the owner
c. offering warranties
d. matching demand and supply
(c; Moderate; p. 38)
57. Variability in service quality can be reduced through _____.
a. standardizing services
b. development of branches
c. market research
d. warranties
(a; Challenging; p. 38)
58. Service quality can be standardized and made more efficient by _____.
a. greater dependence on the owner
b. automation
c. franchising
d. advertising
(b; Challenging; pp. 38-39)
59. Which service quality attribute deals with the physical facilities of the service provider?
a. access
b. reliability
c. tangibles
d. communication
(c; Challenging; p. 38)

Multiple Choice - Applied/Comprehensive/Integrative

60. Which service quality attribute deals with lost revenues that cannot be recouped?
- access
 - perishability
 - reliability
 - variability
- (b; Moderate; p. 38)
61. One impact of electronic banking for retailers is the increased opportunity for _____.
- video-ordering systems
 - retailer-generated credit cards
 - generating increased store traffic
 - in-home banking
- (c; Moderate; p. 40)
62. The major difference between a typical credit account and a debit-only transfer system is that in the debit-only transfer system, _____.
- interest is assessed from the billing date
 - the purchase price is immediately deducted from the consumer's bank account
 - no interest is charged if payment is made at the billing date
 - the consumer is billed monthly on the basis of the outstanding balance
- (b; Challenging; p. 40)
63. An important implication of the rise in electronic banking to retailers is the _____.
- growth in national credit and debit cards
 - growth in banking from home
 - increase in collection responsibilities
 - increase in importance of retailer-generated credit cards
- (a; Challenging; p. 40)
64. A major advantage to the use of point-of-sale scanning equipment by retailers is _____.
- lower fixture investment costs
 - ease in consumer ability to read prices
 - compatibility of codes for supermarkets and department stores
 - better inventory control
- (d; Challenging; p. 41)
65. The major difference between consumerism and social responsibility is that consumerism is _____.
- based on legal issues, whereas social responsibility is based on moral issues
 - based on moral issues, whereas social responsibility is based on legal issues
 - concerned with an obligation to all parties, whereas social responsibility reflects an obligation to final consumers
 - concerned with an obligation only to consumers, whereas social responsibility reflects an obligation to all parties
- (d; Challenging; pp. 44, 45)

Multiple Choice - Applied/Comprehensive/Integrative

66. A retailer can best implement a consumer's right to safety by _____.
a. selling foods with additives
b. age-labeling all toys
c. providing a money-back guarantee on all goods and services
d. nutritional labeling of all food products
(b; Challenging; p. 45)
67. The consumer's right to be informed by retailers is more difficult due to the increase in _____.
a. suburban branch locations
b. self-service
c. self-fulfillment
d. store hours
(b; Challenging; p. 45)
68. A retailer can best implement a consumer's right to be informed by _____.
a. providing a money-back guarantee on all goods and services
b. utilizing per-unit pricing
c. monitoring store waiting lines
d. installing automatic teller machines
(b; Challenging; p. 45)
69. The increased deregulation of industries should have a positive impact on which consumer right?
a. the right to safety
b. the right to be heard
c. the right to choose
d. the right to be informed
(c; Challenging; p. 45)
70. A retailer can best implement a consumer's right to be heard by _____.
a. developing a consumer advisory council
b. selling private-label merchandise
c. expanding store hours
d. providing a money-back guarantee on all goods and services
(a; Challenging; p. 45)

True-False - Terminology/Concept

71. A value chain consists of both tangible and intangible product and service offerings.
(T; Moderate; p. 27)
72. The value chain only encompasses the retailer and the final consumer.
(F; Challenging; p. 27)
73. All elements of the value chain are visible to shoppers.
(F; Challenging; p. 27)
74. An augmented retail strategy consists of the additional elements that differentiate one retailer from another.
(T; Moderate; p. 27)

True-False - Terminology/Concept

75. The best retailers in a given category have perfected potential retail strategies.
(F; Challenging; p. 27)
76. Expected customer services provide a competitive advantage to the retailer.
(F; Moderate; p. 31)
77. Employee empowerment is a central concept to improving customer service.
(T; Moderate; p. 31)
78. A customer must pay the bill when it is due with a revolving credit account.
(F; Moderate; p. 33)
79. The American Customer Satisfaction Index produces a measure of customer service quality based on surveys of consumers.
(T; Moderate; p. 35)
80. Rented-goods service retailers require little or no inventories.
(F; Challenging; pp. 37-38)
81. The perishability of services prevents the storage and shifting of services from low to high demand periods.
(T; Challenging; p. 38)
82. Since services cannot be stockpiled, the effects of seasonality can be severe.
(T; Challenging; p. 38)
83. Electronic banking involves the use of automatic teller machines and the instant processing of retail purchases.
(T; Moderate; p. 40)
84. Activities of government, business, and independent organizations that are designed to protect individuals from practices that infringe on their rights as consumers comprise social responsibility.
(F; Moderate; p. 45)
85. As enunciated by President Kennedy about 50 years ago, consumers have the right to low prices, safety, full employment, and to be heard.
(F; Moderate; p. 45)

True-False - Applied/Comprehensive/Integrative

86. Price-, service-, and status-oriented shoppers each have very similar perceptions of value.
(F; Challenging; p. 27)
87. Consumers have little concern as to which channel member in a value chain performs each service.
(T; Challenging; p. 27)

True-False - Applied/Comprehensive/Integrative

88. An augmented retail strategy for a discounter could be an expected retail strategy for a full-service retailer.
(T; Challenging; p. 27)
89. A basic service is an example of an augmented retail strategy.
(F; Challenging; p. 27)
90. A retailer's core customers are its best customers.
(T; Moderate; p. 30)
91. Bad debt risks are minimized with retailer-generated open credit accounts and revolving credit accounts.
(F; Moderate; p. 33)
92. Decentralized services keep shoppers with returns to process in the selling area.
(T; Challenging; p. 34)
93. Comparatively few customers complain when dissatisfied.
(T; Moderate; p. 35)
94. Channel relationships in a value delivery system need to be characterized by trust, commitment, and open communication.
(T; Moderate; pp. 36-37)
95. In goods retailing, consumers purchase goods; in rented-goods services, they lease goods.
(T; Moderate; p. 37)
96. The concepts of intangibility, variability, and inseparability are most applicable to rented-goods services.
(F; Challenging; p. 38)
97. Electronic banking enables cash transactions to occur using retail coding systems.
(F; Moderate; p. 40)
98. Computerized checkout systems allow retailers to develop up-to-date sales reports.
(T; Moderate; p. 41)
99. Self-scanning enables retailers to reduce labor costs.
(T; Moderate; p. 41)
100. Social responsibility is a broader concept than consumerism.
(T; Challenging; pp. 44, 45)

Essay

101. Describe the interrelationship between value and the value chain.
(pp. 26-27)

Essay

102.
 - a. Differentiate among an expected, augmented, and potential retail strategy.
 - b. Provide an example of each for a discounter and a full-service camera retailer.
(pp. 27-28)
103. Develop an employee empowerment strategy for a Web-based luggage retailer.
(p. 31)
104.
 - a. Differentiate among a revolving, option, and open credit account.
 - b. What types of retailers should use each account?
(pp. 33-34)
105. Develop a customer loyalty program (incorporating rewards, value-added benefits, and customer recognition) for a pharmacy's film-processing department.
(pp. 35-36)
106. Contrast rented-goods services with owned-goods services and with nongoods services. Provide two examples of each service type.
(pp. 37-38)
107. Both a hotel room rental (for a 3-day period) and air travel (for a 3-hour period) are examples of rented-goods services. Contrast these retail services based upon the strategic implications of intangibility, inseparability, perishability, and variability.
(pp. 37-38)
108. Describe the strategic implications of the characteristics of service retailing: intangibility, inseparability, perishability, and variability.
(pp. 38-39)
109. Cite several ramifications of the growth in electronic banking.
(pp. 40-41)
110. Explain how point-of-sale scanning equipment can improve a retailer's productivity. Be specific as to potential applications of these systems.
(pp. 41-42)
111. Differentiate among ethics, social responsibility, and consumerism as applied to a car repair shop targeted to affluent consumers with luxury cars.
(pp. 43-45)
112. A fast-food franchise seeks to develop a consumer-oriented program. Develop such a program based on the right to safety, to be informed, to choose, and to be heard.
(p. 45)