

Chapter 2
Market Sensing:
Generating and Using Knowledge about the Market

Multiple Choice Questions

1. _____ is the process of generating knowledge about the market that individuals in the business use to inform and guide their decision making.
 - a. Market sensing
 - b. Market research
 - c. Information utilization
 - d. Information acquisition(a; Easy; p. 43-44; Analytic Skills)

2. The substantive facets of market sensing do NOT include _____.
 - a. defining the market
 - b. monitoring competition
 - c. knowledge gathering
 - d. assessing customer value(c; Easy; p. 45; Analytic Skills)

3. _____ is NOT a criterion for judging the validity of a segmentation scheme.
 - a. Measurable
 - b. Profitable
 - c. Actionable
 - d. Applicable(d; Easy; p. 48; Analytic Skills)

4. _____ is NOT a diagnostic component of Porter's framework for competitor analysis.
 - a. Market sensing
 - b. Future goals
 - c. Current strategy
 - d. Capabilities(a; Easy; p. 58-60; Analytic Skills)

5. A _____ is an organized approach for seeking, gathering, analyzing, and interpreting competitor data, and for disseminating the resulting information to guide decisions.
 - a. competitor analysis system
 - b. competitor intelligence system
 - c. sales potential forecast
 - d. market definition system(b; Moderate; p. 60; Analytic Skills)

6. _____ is the work process of obtaining an estimate of the worth in monetary terms of some present or proposed market offering or elements of it.
- Value assessment
 - Benchmarking
 - Monitoring competition
 - Sales forecasting
- (a; Easy; p. 64; Analytic Skills)
7. The value assessment method, _____, involves scientists or engineers within the supplier's own firm conducting laboratory tests on a product to provide an estimate of its value. Application of this method depends on detailed knowledge of the customer's usage system.
- internal engineering assessment
 - field value-in-use assessment
 - indirect survey questions
 - focus group value assessment
- (a; Moderate; p. 64; Analytic Skills)
8. With the value assessment method _____ supplier personnel (or their consultants) conduct interviews and often gather data at customer firm(s) to provide a comprehensive listing of benefit and cost elements associated with usage of the supplier's market offering compared with the incumbent or next-best-alternative offering.
- internal engineering assessment
 - field value-in-use assessment
 - indirect survey questions
 - focus group value assessment
- (b; Moderate; p. 64; Communication)
9. The value assessment method, _____, enables a supplier firm to fill critical gaps in its knowledge of the customer firm's usage system as it relates to the supplier's market offering. Note that a critical assumption of this method is that the customer has an accurate perception of the effects of the studied changes upon its usage system.
- internal engineering assessment
 - field value-in-use assessment
 - indirect survey questions
 - focus group value assessment
- (c; Moderate; p. 65; Analytic Skills)

10. The value assessment method _____ is a qualitative approach to gaining a better understanding of the perceptions and reactions of participants. In doing so, the research analyst also generates estimates of value. The participants typically are knowledgeable individuals within customer firms that are targets for the studied market offering, although a supplier firm also may be interested in the reactions of industry consultants or pundits.
- internal engineering assessment
 - field value-in-use assessment
 - indirect survey questions
 - focus group value assessment
- (d; Moderate; p.65; Analytic Skills)
11. In a field research survey, participants are given a description of a market offering, typically the present industry standard, that serves as a(n) benchmark offering. They then are asked how much more their firm would be willing to pay for selected additions (or increases) in attributes or features to this offering.
- benchmark
 - internal engineering assessment
 - focus group value
 - compositional
- (a; Moderate; p. 67; Analytic Skills)
12. To deliver superior value to targeted market segments and customer firms is a goal of _____.
- importance ratings
 - customer value management
 - value assessment methods
 - competitor intelligence systems
- (b; Moderate; p. 70; Analytic Skills)
13. Get an equitable return on the value delivered is a goal of _____.
- importance ratings
 - customer value management
 - value assessment methods
 - competitor intelligence systems
- (b; Moderate; p. 70; Analytic Skills)
14. _____ are data-driven estimates of what a present or prospective market offering is worth in monetary terms to targeted customers relative to the next-best alternative offering for those customers.
- customer value models
 - competitive intelligence models
 - market segmentation models
 - best practices models
- (a; Moderate; p. 71, 89; Analytic Skills)

15. When comparing one product offering to the next-best-alternative, value elements where there are no apparent differences between the two offerings are termed _____.
- a. points of parity
 - b. points of difference
 - c. value word equations
 - d. points of contention
- (a; Moderate; p. 73; Analytic Skills)
16. When comparing one product offering to the next-best-alternative, value elements where there are apparent differences are termed _____.
- a. points of parity
 - b. points of difference
 - c. value word equations
 - d. points of contention
- (b; Moderate; p.73-74; Analytic Skills)
17. A _____ express in words and simple mathematical operators (e.g., +, ÷) precisely how to assess the differences in functionality and performance between the studied offerings for a value element and how those differences are converted into worth in monetary terms.
- a. points of parity
 - b. points of difference
 - c. value word equations
 - d. points of contentions
- (c; Moderate; p. 74; Analytic Skills)
18. When comparing one product offering to the next-best-alternative the supplier may invite the customers to participate in the customer value research. The supplier's team members relate the list of value elements and which elements they regard as points of parity and points of difference. _____ are value elements about which the customer disagrees with the team's evaluations.
- a. points of parity
 - b. points of difference
 - c. value word equations
 - d. points of contentions
- (d; Moderate; p. 74; Analytic Skills)
19. The measure of customer _____ is share of purchases in the category.
- a. loyalty
 - b. delight
 - c. disinterest
 - d. value analysis
- (a; Moderate; p. 84; Analytic Skills)

20. To exceed rather than simply meet customer requirements and preferences is to create customer_____.

- a. loyalty
- b. delight
- c. disinterest
- d. value analysis

(b; Moderate; p. 85; Analytic Skills)

21. Two shortcomings of customer satisfaction measurement programs – they do not survey noncustomers and they don't provide a market assessment for supplier firms – can be remedied by a customer _____.

- a. loyalty survey
- b. delight test
- c. point of difference analysis
- d. customer value analysis

(d; Difficult; 85; Analytic Skills)

True/False Questions

22. The substantive facets of market sensing include defining the market, monitoring competition, assessing customer value, and gaining customer feedback.

(True; Easy; p. 45; Analytic Skills)

23. To gain a more detailed understanding of how customer requirements and preferences vary, business market managers use more progressive bases of segmentation, such as application, customer capabilities and business priorities, usage situation, and customer profitability.

(True; Moderate; p. 49; Analytic Skills)

24. Value assessment is the work process of obtaining the exact worth in qualitative benefits of some past market offering.

(False; Moderate; p. 64; Reflective Thinking)

25. Customer feedback provides the supplier with a chance to remedy problems that occur and to retain a customer's business. It does NOT give the supplier an early warning of changing customer requirements and preferences.

(False; Moderate; p. 81; Reflective Thinking)

26. The Net Promoter Score (NPS) is derived from the answers to a willingness-to-recommend question.

(True; Easy; p. 87; Reflective Thinking)

Essay

27. Business market managers would like to know which market segments will have the largest growth in total market demand over some time horizon of interest, such as the next year, three years, or five years. Barnett describes the four basic steps needed in any forecast of total market demand. What are the four steps?

Answer:

The four basic steps needed in any forecast of total market demand are:

1. Define the market.
2. Divide total industry demand into its main components.
3. Forecast the drivers of demand in each segment and project how they are likely to change.
4. Conduct sensitivity analyses to understand the most critical assumptions and to gauge risks to the baseline forecast.

(Moderate; p. 54; Reflective Thinking)

28. Explain customer value management and the two basic goals of customer value management.

Answer:

Customer value management is a progressive, practical approach that has two basic goals:

- Deliver superior value to targeted market segments and customer firms.
- Get an equitable return on the value delivered.

Customer value management relies upon customer value assessment to gain an understanding of customer requirements and preferences, and what it is worth in monetary terms to fulfill them. Although firms may be able to accomplish the first goal without any formal assessment of customer value, it is unlikely that they will be able to accomplish the second goal without it. Simply put, to gain an equitable or fair return on the value their offerings deliver, suppliers must be able to persuasively demonstrate and document the superior value they provide customers relative to the next-best alternative for those customers. When suppliers do not spend the time and money on customer value management, they are unaware of how much not doing it is costing them.

(Difficult; p. 70; Reflective Thinking)

29. Explain overall customer satisfaction according to the American Customer Satisfaction Index including the three measures.

Answer:

Overall customer satisfaction represents a cumulative evaluation of a firm's market offering rather than a person's evaluation of a specific transaction. The three measures of overall customer satisfaction include an overall satisfaction measure, a measure of the extent to which an offering's performance falls short or exceeds expectations, and a measure of the offering's performance relative to the customer's ideal product or service in the category.

(Difficult; p. 82-83; Reflective Thinking)

30. Explain the relationship between Jones and Sasser's ultimate measure of 'customer loyalty' and the 'supplier's share of customer's business'.

Answer:

Jones and Sasser's ultimate measure of customer loyalty is the same as the earlier concept, supplier's share of customer's business: that is, the percent of a customer's total purchase requirement for a market offering that the supplier obtains.

(Difficult; p. 84; Reflective Thinking)

31. What are the Net Promoter Score and the three clusters of customers?

Answer:

the Net Promoter Score (NPS), which is derived from the answers to this willingness-to-recommend question on a 10 point scale. Answers to this question to customer actions of referral and repurchase revealed three logical clusters. Promoters are customers who give a "9" or "10" rating. Passives are customers who are passively satisfied and give a "7" or "8" rating. Detractors are customers who give a "0" to "6" rating. The net promoter score is defined as the percentage of promoters minus the percentage of detractors.

(Difficult; p. 87; Reflective Thinking)