UNIT 10 CUSTOMER LOYALTY AND CUSTOMER RETENTION

Structure

10.0 OBJECTIVES

After studying this unit, you will be able to:

- Explain the concept of customer loyalty and customer retention;
- Discuss the impacts of customer loyalty and retention;
- Describe the economics of customer value;
- Elaborate various types of customers; and
- Explain various strategies for customer retention.

10.1 INTRODUCTION

Customer retention refers to the ability of a company to retain its existing customers over time. This can be achieved by building strong customer relationships, providing excellent customer service, and consistently delivering high-quality products or services. A company with a high retention rate typically has a strong, loyal customer base, which can be a crucial driver of long-term growth and profitability.

Marketing is the art of attracting and keeping profitable customers. What makes a profitable customer? A profitable customer is a person who yields a revenue stream over a period that exceeds the company's cost stream by an acceptable amount for attracting, selling and servicing that customer. Retailers today need to understand and internalise the basic philosophy given by Pareto, the 20-80 rules. This rule says that the top 20% of the customers often generate 80 % or more of the company's profits.

In Unit 4, we discussed that loyal customers are undoubtedly a valuable asset for the business. Retaining a customer in a business is more cost-effective than attracting new customers. This is one of the latest techniques for maximising the lifetime profitability of a business's customer base. Existing customers know the business. The business also knows them very well and can provide customised services to them with less effort. Hence, it becomes imperative for the company to achieve customer loyalty.

Loyal customers not only increase the business sales volume but also create new customers. To attain customer loyalty, it is essential to satisfy customers with valuable services because satisfied customers eventually are loyal customers, and they stay with the business. When a business retains its customers, it enjoys two-fold benefits. First, it gives revenue to the company and second, customer retention brings cost reduction.

In this unit other, we will discuss in detail different types of customers, concepts of customer loyalty and retention and different strategies for customer retention.

10.2 CONCEPT OF CUSTOMER LOYALTY

Whether a particular customer is satisfied after purchasing a product/service depends upon his expectations concerning the performance of the offer. Generally, satisfaction is a personal feeling of happiness or disappointment resulting from comparing expectations and implementation of the product/service. If the performance does not exceed customer expectations, the customer is dissatisfied. If the performance matches the customer's expectations, the customer is satisfied. If the performance exceeds delighted the expectations of the customer, the customer is delighted and becomes loyal towards the business.

Remember that there may be many business organisations that can satisfy their customers. Still, there are very few businesses that treat the customer as "The King" and keep them at the centre of their business operations. It is needless to mention that the customer delight (and not merely satisfaction) brings long-term customer loyalty to the business.

"According to Keki R. Bhote", Customer satisfaction is a milestone on the long, hard road to customer loyalty and lifelong retention. Customer loyalty is the flip side of the same coin called company profit".

Once a company delights its customers and diverts them towards allegiance, it can easily enjoy customer retention benefits. The concept of retailing itself focuses on customer satisfaction and delight. We have already discussed the benefits of customer loyalty in Unit 4 and talked about the adverse effect of negatively satisfied customers (as they can harm the product or retailer's image more than its competitors).

Critical steps for customer loyalty and retention

No business can get loyal customers without hard work and proper marketing strategies. To gain loyal customers and retain them with the company, Following are some key points which lead to increased customer loyalty and retention:

i) The main objective of the top-level management should be to add value for customers by providing products/services of the best quality, at fair prices, in cyclic times and serving better than their competitors.

ii) Making long-term key strategies for customer loyalty and retention.

iii) Appointment of Chief Customer Officer (CCO) to deal with customer-related viewpoints through various feedback mechanisms.

iv) Managers must spend at least 25% of their time with core customers & understand their behaviour and expectations.

v) The main goal of managers should be to retain customers, which automatically leads to the achievement of sales targets.

10.2.1 Customer Loyalty Grid

With the help of Brian Ward's customer loyalty grid, we can easily understand what customers want and what makes them happy and loyal.

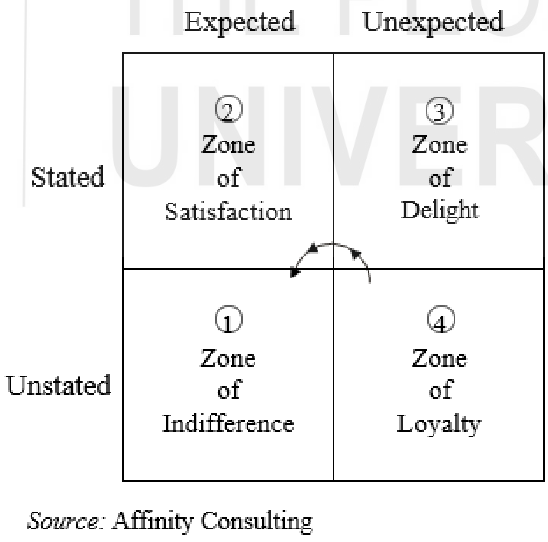


Figure 10.1: The customer loyalty grid

Let us discuss each zone in detail:

1) The Zone of Indifference (Unstated/Expected)

The zone of indifference includes all the basic expectations which are to be fulfilled by the business. Customers generally expect to be treated as valuable and necessary with respect. If a company does not perform according to their expectations, they feel insulted, which causes dissatisfaction. If the business meets this basic and obvious need, a business can hope for indifference.

2) The Zone of Satisfaction (Stated/Expected)

This is the zone where customers tell what's their need. And what's important to them. Here, businesses listen to them very carefully, as this is the first step to customer loyalty. Meeting their needs and expectations will cause satisfaction,, whereas not meeting them will cause dissatisfaction. For example, a customer might expect a discount on a purchase but knows that he has to ask (or negotiate) for it specifically. It is an expectation because other organisations that the customer deals with provide this benefit.

3) The Zone of Delight (Stated/Unexpected)

Here their, customers expect something different from retailers, which is usually unexpected, but if a retailer meets their need, it will create a solid customer loyalty base. For example, a customer might expect a product of high quality at a reasonable price, but this particular product falls under premium price; here is the opportunity for a retailer to delight his customer by meeting their expectation.

4) The Zone of Loyalty (Unstated/Unexpected)

Exceeding customer's expectations, even if the customer is aware, will create loyal customers. This requires retailers to be proactive in suggesting the new innovations that customers can benefit from. Many customers will be even willing to pay extra for this. For example, airbags in automobiles, when first introduced, were an innovation that saved lives, but customers had no way of asking for this innovation or expecting it before it became known to them.

First meet the first three zones to get to the Zone of Loyalty because all zones are equally important. If retailers meet customers' basic expectations and satisfy them with proper service, it will create loyal customers.

10.3 CONCEPT OF CUSTOMER RETENTION

In simple words, customer retention means keeping the customers in the business. Customer retention is a strategy to keep the customers of the company and retain their revenue contribution. It prevents customers from leaving the business (popularly known as defecting) and going the alternate brands or competitors. As it has been discussed from the beginning, it costs less to retain an existing customer than to acquire a new one. ***Studies across several industries have revealed that the cost of maintaining an existing customer is only about 10% of the cost of acquiring a new customer***. Acquisition costs occur only at the beginning of a relationship with the customer. The longer the relationship, the lower the amortised cost. Account maintenance costs decline. Long-term customers generally do not switch their brand (business) and are comparatively less price sensitive. Hence, it makes sense to give importance to customer retention.

These customers are likely to bring new customers to the business and purchase additional products, and they are consistent in their buying behaviour. They are well aware of the business's approach and need not, and they need not be educated/informed every time they enter the point of purchase.

Businesses try to give various lucrative offers to their existing customers to stop them from switching their business. For example, N Mart showing, off late, has begun giving a credit facility of Rs. 1500 to its members who are existing customers. According to their policy, the members of N Mart will get a cash voucher of Rs. 250, with which they can make purchases from any of its stores. Shoppers Stopalso gives membership cards.

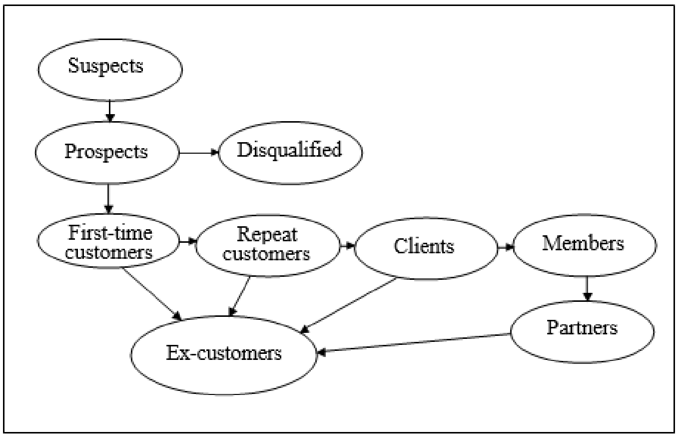
McDonald's and Pizza Hut maintain a database of the birthdays of the frequent customers, and they wish them on their birthdays.

Customer Retention is the activity a selling organisation undertakes to reduce customer defections. Successful customer retention starts with the first contact an organisation has with a customer and continues throughout the entire lifetime of a relationship.

According to Reichheld, "Customer satisfaction is not a surrogate for customer retention. While it may seem intuitive that increasing customer satisfaction will increase retention and, therefore, profits, the facts are contrary. Between 65% to 85% of customers who defect say they were satisfied or delighted with their former supplier." (Reichheld 1993)

Customer Development Process

As explained in the diagram below, customer retention helps become a repeat customer. with some acceptable frequency, the customer becomes a client and has an identity with names known to the company.



Source: Kotler et al (2009)

Figure10.2: The customer development process

Customer retention may be measured in terms of the absolute number of those staying as a percentage of the original number over a specific period, for example, 1 year. The percentage of customers a company loses in a year is called 'churn'. The retention rate is 1 churn.

The appropriate interval at which a retention rate should be measured, therefore, need not necessarily be one year but, depends on the nature of the business and, more specifically, on the repurchase cycle appropriate in the industry. It would be misleading to suggest that 'A' has defected if 'A' has not purchased a new car in 2 years when the usual repurchase cycle of a new vehicleis 3 years. It is, therefore, more meaningful for car dealers to measure customer retention every three years instead of every 12 months.

It is also essential to understand that customer retention also has to factor in the nature and frequency of purchase. This aspect is illustrated in the diagram below:

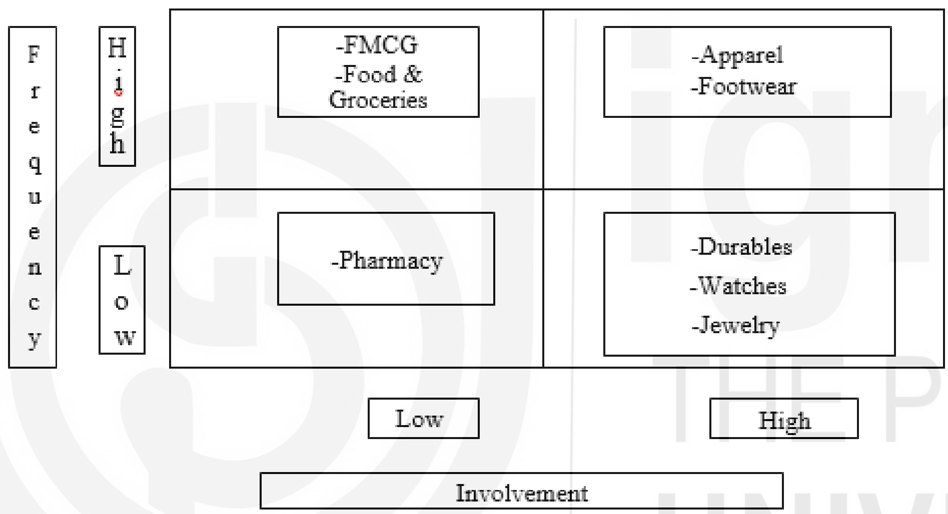


Figure10.3: Frequency and involvement in customer purchase

There are some critical quotations regarding customer retention:

- "Be better than your best competitors in providing customer value " – Bob Allen, AT & T
- "Yesterday does not count. All that counts is providing the most value to customers tomorrow " – Jack Welch, GE

Some important vital points for customer retention

1. Train the sales staff to give special treatment and care to the customers.
2. Provide excellent customer service.
3. Pay attention to the customers' complaints.
4. Keep a watch on the buying behaviour of the existing customer.
5. Give proper attention to the existing customers, and preference should be given to them when it comes to attending them at the store.

6. Frequent business customers should be provided discount coupons or other such loyalty programmes.
7. Take feedback from the existing customers. Questionnaires can be sent, and various surveys can be conducted.
8. Maintain regular communications to ensure they are informed of new product lines, offers, related products, etc.
9. Reactivate dormant customers. Contact them if they are not seen forfor a time to check if any current offers interest them.
10. Do reviews on a very regular basis.

Check Your Progress A

1. Enlist four key points to retain customers in the business.

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2. Write the stages of the customer development process.

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3. Give an example of any loyalty offers of a retail store you have visited recently.

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10.4 THE ECONOMICS OF CUSTOMER VALUE

As discussed in Unit 1, the 3Rs framework entails breaking down the customer value management cycle into three stages:

- Right customers (acquiring right customers)
- Right relationship (developing strong relations with those customers)
- Right retention (keeping valuable customers in the business)
- However, the economics of customer value also incorporate the following facts about customer acquisition and retention:

- Acquisition of customers can cost five times more than retaining current customers.
- A 5% reduction in the customer defection rate can increase profits by 25% to 85%.
- The customer profit rate increases over the life of a retained customer.

10.4.1 Acquisition Cost

Putting in place a customer retention strategy increases customer profitability as acquisition costs only occur at the beginning of a relationship. So the longer the relationship, the lower the amortised cost; account maintenance costs decline as a percentage of total costs (or as a percentage of revenue); long-term customers tend to be less inclined to switch and also tend to be less price sensitive. Long-term customers may introduce new customers via verbal referral; long-term customers are more likely to purchase additional products; customers who stay with the business tend to be satisfied with the relationship and are less likely to switch to competitors, making it difficult for competitors to enter the market or gain market share. Regular customers tend to be less expensive to service because they are familiar with the process, require less 'education', and are consistent in their buying behaviour; increased customer retention and customer loyalty makethe employees' jobs more accessible and more satisfying. In turn, happy employees feed back into better customer satisfaction.

The company estimates all revenue coming from the customer minus all costs. The costs should include not only the making and distributing of the products and services but also costs incurred in servicing the customer, such as paying for gifts or customer visits.

10.4.2 Retention Cost

When specific start-up costs are involved in serving a new customer, such as prospecting, credit checks, and entering the customer's account details on a database, then the costs of serving a new customer exceed those of serving a repeat customer. Other studies by consultants such as ***McKinsey have shown that repeat customers generate over twice as much gross income as new customers.***

Customer loyalty is the customer's intention to repeatedly purchase a particular product or services (Jones and Sasser, 1995). Customer loyalty is defined as an interaction between customers' relative attitude towards a brand or store and their repeated purchase behaviour towards that brand or store (Dick and Basu, 1994). According to Rhee and Bell (2002), customer loyalty is an important indicator of store health. Customers can have long-term or short-term loyalty (Chang and Tu, 2005). Long-term loyal customers do not easily change their store and product choices. In contrast, short-term loyal customers switch when they find a better alternative.

10.5 CLASSIFICATION OF CUSTOMERS

In a retail shop, in a day, many customers come to purchase products; they are different in nature, taste, and need and have different expectations. differentiate. Retailers need to differentiate them according to their above qualities and treat them as they want to be treated to create satisfaction and loyalty. The following chart presents the classification of customers according to their nature, needs and expectations.

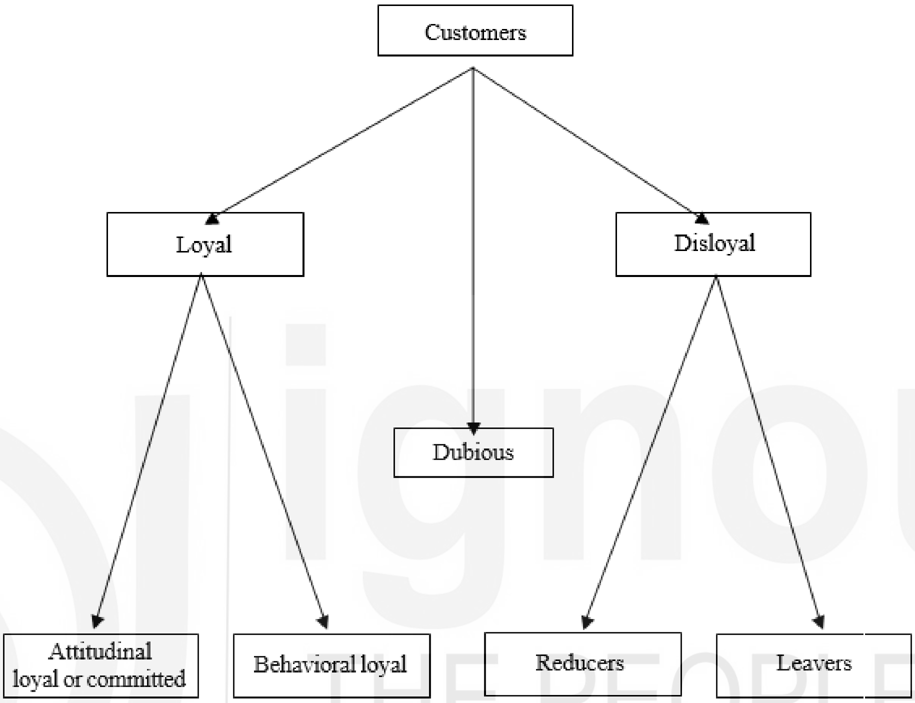

Figure10.4: Classification of customers

Source:Andres Kuusik, affecting customer loyalty: Do different factors have various influences in different loyalty levels, University of Tartu, Faculty of Economics and Business Administration 2007

i) **Loyal Customers:** Loyal customers are those customers who are highly satisfied with business or product performance and repeatedly come to purchase. Loyal customers not only retain business but also generate new customers.

ii) **Dubious Customers**: Dubious customers are those active customers who use only a particularprovider's service but do not know which provider's service they will use in the future.

iii) **Disloyal Customers:** Disloyal customers are further classified as those who are reducers, i.e., those customers who have started making changes in customer spending by spending less or those who are leavers. According to Coyles and Gokey, 2002, improving the management of migration by focusing not only on defections but also on more minorchanges in customer spending can have as much as ten times more value than preventing defections alone.

Customers can be classified in different ways, applying different criteria. Criteria could include only one variable for classification, such as profits earned per customer, or could involve mapping one variable against another, e.g., customer satisfaction and loyalty or loyalty and profitability.

E.g., Wills Lifestyle, ITC's apparel retailing arm, is concentrating on niche segments such as high-end luxury formats operating out of hotels. Also, segmentation of wardrobes to suit the occasion creates customer segments like women's formals.

Applying this criterion, there are four segments identified by experts. (Zeithmal et al 2010, Kotler et al 2009) These four customer segments are explained below: -

1. The **platinum tier** describes the company's most profitable customers, typically those who are heavy users of the product, are not overly price sensitive, are willing to invest in and try new offerings and are committed customers.

2. The **gold tier** differs from the platinum tier in that profitability levels are not as high. They are heavy users who minimiserisks by working with multiple vendors.

3. The **iron tier** contains essential customers who provide the volume needed to utilise the firm's capacity, but their spending levels, loyalty, and profitability are not substantial enough for special treatment.

4. The **lead tier** consists of customers costing the company money. They are unprofitable and therefore undesirable by the company.

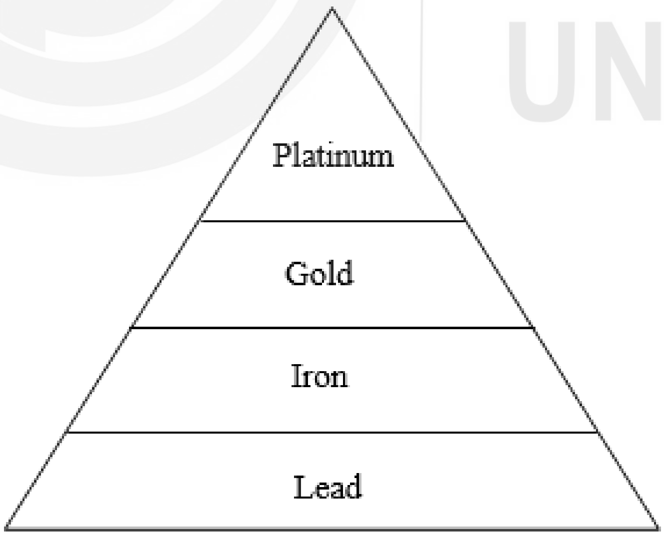

Figure.10.5: Four customer tiers

Retailers should enhance the simple profile that most current programs store, which generally only includes a member's name, address, and transaction history, to provide a more comprehensive understanding of the customer. This inclusive profile should track the following:

- Contact information (such as name, address, marketing channel preferences)
- Demographics (such as household members)
- Shopping preferences (such as customer-stated preferred items/categories/stores)
- Past transactions (such as past purchases and redemptions)
- Status (such as tier)
- Service history (such as calls and e-mails to customer service and in-store interactions)

Retailers can then use this information to segment the members (for example, moving beyond tiers to narrowly segment the members by lifestyle, purchase patterns, life stage, and so on). For example, as shown in the Figure below, Forrester used a grocery chain's loyalty program data combined with demographic and income data from third-party sources to segment customers into four groups based upon profitability and loyalty.

Source: Gaining Competitive Advantage through Effective Retail Loyalty Programs, an *Oracle White Paper Updated June 2006*

Figure10.6: Profile of four grocery shoppers' types based on profitability and loyalty

Through store-branded credit cards/loyalty cards and point-of-sale systems, retailers can keep detailed records of every shopping transaction. This enables them to understand their various customer segments better. For example, the consumer buying behaviour of the four elements mentioned in the diagram above can be ascertained in a more in-depth and rigorous manner by better understanding the

1) Regency of visits
2) Frequency of visits
3) Pattern of purchase, including items purchased together
4) Amount of purchase per visit
5) Response to discount offers through sale Some retail applications include:

Performing Basket Analysis: Also known as **affinity** analysis. Basket analysis reveals which items customers tend to purchase together. This knowledge can improve stocking, store layout strategies, and promotions.

Sales Forecasting: Examining time-based patterns helps retailers make stocking decisions. If a customer purchases an item today, when will he likely purchase a complementary item?

Database Marketing: Retailers can develop profiles of customers with certain behaviours, such as those who purchase designer labels clothing or attend sales. This information can be used to focus cost–effective promotions.

Merchandise Planning and Allocation: When retailers add new stores, they can improve merchandise planning and allocation by examining patterns in stores with similar demographic characteristics. Retailers can also use data mining to determine the ideal layout for a specific store.

10.6 CUSTOMER RETENTION STRATEGIES

There are four ways in which any retailer can retain their valuable customers. These four approaches are explained in the figure 7.7.

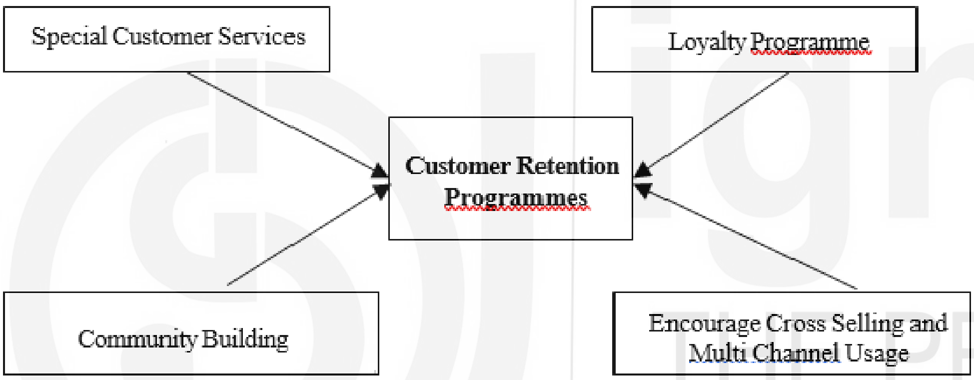

Figure10.7: Various customer retention programmes

A) Customer Loyalty Programme

A customer loyalty programme is a system whereby customers have specifically signed up for a programme. The customers may receive a plastic card with their name encrypted on it. These cards can be used when they shop, and these customers with cards are given some benefits.

From group cards, like Green Card from Pantaloon, to cards enrolling multiple sellers and cards only of a limited cash value launched by Ad Labs and PVR cinema for movie tickets. India has lapped up card technology in retailing in various formats with a high degree of enthusiasm. Everyone is trying to create maximum value for the organisation by creating superior customer equity. Modern retail outlets of India, which are still taking shape and growing exponentially, have already launched loyalty cards as a quintessential strategy. Vishal Mega Mart has a joint Credit card with SBI, and Reliance has come up with its credit card. Lifestyle, for instance, has a loyalty programme called 'The Inner Circle'. Rewards programmes, such as 'Club West' from Westside and 'First Citizen' from Shoppers Stop, compete to attract and retain customers. Small retail chains like Ritu Wears, Globus, Saboo, Bombay Selection, CTC Plaza, etc, also enroll customers in their loyalty programs. Loyalty programmes help retailers by:

- Decreasing price competition
- Increasing switching costs
- Decreasing marketing costs
- Building trust and positive customer relationships
- Strengthening the brand
- Increasing the share of wallet (share of expenditures)

The potential of a loyalty programme to attract members depends not only on the value of the rewards it offers but also on when the rewards are available. Research in psychology suggests that when a loyalty programme's redemption rewards are problematic and delayed, they will be a less powerful motivation. Many accumulating benefit programs, such as frequent-flyer schemes, try to (partially) alleviate this problem by sending their members a statement of accumulated points at regular intervals.

Typically, these statements are accompanied by material promoting the aspirational values and ease of achieving the various available rewards.

Self-Assessment Activity

Choose any two retail stores that you may have recently visited which have a loyalty card as an offering, or alternatively, consider two retail brands whose loyalty cards you possess. Compare the loyalty cards of the two retail brands.

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b) Special Customer Service

Customers are value maximisers. Therefore, one way of retaining key customers is to provide excellent customer service. For example, to some of the key customers, providing one dedicated employee as a critical relationship manager is a good approach. Because customers have more choices today and the targeted customers are most valuable to the company, customer service must receive a high priority within the company for any contact or "touch points" that a customer has with a firm.

Programmes designed to enhance customer service are usuallyof two types. Reactive service is where the customer has a problem (product failure, question about bill, product return) and contacts the company to solve it. Most companies today have established infrastructures to deal with reactive service situations through 800 telephone numbers, faxback systems, e-mail addresses, and various other solutions. Proactive service is a different matter: this is a situation where the manager has decided not to wait for customers to contact the firm but to instead be aggressive in establishing a dialogue with customers before complaining or other behaviour sparking a reactive solution. This is more a matter of good account management where the sales force or other people dealing with specific customers are trained to reach out and anticipate customers' needs.

c) Community Building

A third approach for building customer retention is to develop a sense of community among customers. Retailers typically consider a community of loyalty card owners, send the invitation, and inform them about sales and special promotions much in advance,

e.g., Shoppers Stop dedicates the first two days of sale to their loyal customer community. They also indulge in creating an online community where the internet channel offers an opportunity for customers to exchange information using bulletin boards. Similarly, the Landmark book retailer started by Tata invites their loyalty card members for notable book launches, interaction with the authors, and some cultural programmes inside the store.

Similarly, there are overseas examples of sporting goods retailers in addition to offering merchandise for sale, can provide an opportunity for organisers of local sporting events to post information about these events on their website, thus creating an internet member club. When the database was built, the retailer learned the following:

- Club members bought 11 times more than non-club members.
- In two years, 81% of club members became multi-buyers.
- The club boosted retention.

d) Encourage Cross-Selling and Multi-Channel Usage

Research has provided insights on the repeat customer being even more loyal in case he is positively inclined to cross-selling and add-on selling initiatives of the retailer. Cross-selling refers to selling a complementary product or service in a specific transaction, such as selling a printer to a customer when he has decided to buy a computer. Add-on selling involves selling additional new products and services to existing customers.

Check Your Progress B

1. Give the classification of customers.

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2. What is exceptional customer service?

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3. List four ways to retain customers.

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10.6.1 Usage of Multiple Channels by Retailers

Retail channels can be broadly categorised into five categories based on the balance of physical or virtual contact. These include:

1) Salesforce, including field account management, service, and personal representation;
2) Outlets, including retail branches, stores, depots, and kiosks;
3) Telephones, including traditional telephone, facsimile, telex, and call centre contact;
4) E-commerce, including e-mail, the Internet, and interactive digital television; and
5) M-commerce includes mobile telephony, short message and text messaging, wireless application protocol, and 4G mobile services.

10.6.2 Linking Customer Value to Customer Loyalty

Several researchers have pointed out that two of the more effective means of generating customer loyalty are to delight customers (Lee, Lee & Feick, 2001; Oliver, 1999) and to deliver superior value derived from excellent services and quality products (Parasuraman & Grewal, 2000).

Customer value is "the fundamental basis for all marketing activity" (Holbrook, 1994, p. 22), and high value is one primary motivation for customer patronage. Customer value regulates "behaviouralintentions of loyalty toward the service provider as long as such relational exchanges provide superior value" (Sir Deshmukh et al., 2002, p. 21). Prior empirical research has identified perceived value as a significant determinant of customer loyalty in airline travel and retail services (Sir Deshmukh et al., 2002). Chang and Wildt (1994) report that customer-perceived value is a significant contributor to purchase intention.

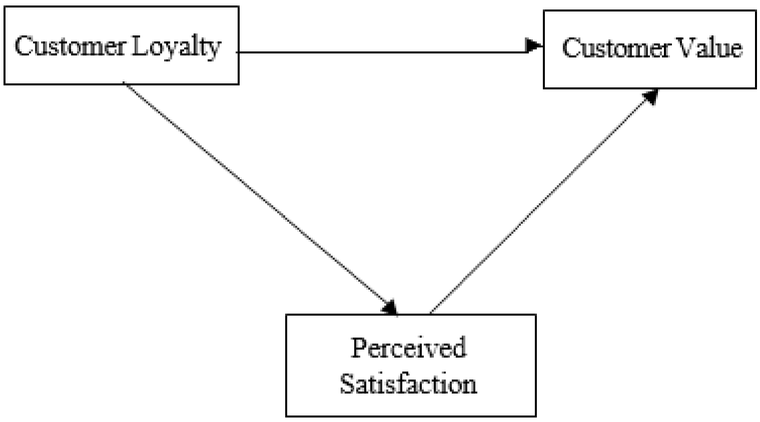

Figure10.8: Linking of customer value to customer loyalty

Loyalty can be of substantial value to both customers and the firm. Customers are willing to invest their beliefin business that can deliver superior value relative to competitors' offerings (Reichheld, 1996). When loyal to a firm, customers may minimise time expended in searching and locating and evaluating purchase alternatives. Also, customers can avoid the learning process that may consume the time and effort needed to become accustomed to a new vendor. Customer loyalty will be positively influenced by customer-perceived value.

10.7 LET US SUM UP

Loyal customers not only increase the business sales volume but also create new customers. To attain customer loyalty, it's essential to satisfy customers with value services because satisfied customers become loyal, and only loyal customers remain with the business. To get to the zone of loyalty, first of all, to meet the first three zones; because all zones are equally important, there is no shortcut. If retailers meet the basic expectations of customers and satisfy them with proper service, then it will create loyal customers. In modern business, customer retention is a strategy whose main objective is to retain customers ,increase company's revenue and prevent its customers from defecting to other alternative products/services of the competitors. As all businesses know essential, customer retention is cost-effective because acquiring new customers is more costly than retaining existing customers, so it is essential to have a customer retention strategy. By creating customer value, a business easily reduces its acquisition cost of customers and enjoys the benefits of retaining customers. Customers are generally classified into loyal, dubious and disloyal customers. Retailers should treat every customer according to their nature, needs and expectations.

Key Learnings:

Importance of Loyal Customers:

- Loyal customers contribute to increased business sales volume.
- They also play a role in referring and creating new customers.

Achieving Customer Loyalty:

- Customer satisfaction through valuable services leads to loyalty.
- Meeting basic customer expectations is crucial in building loyalty.

Zones of Loyalty:

- There are specific zones to achieve customer loyalty, with no shortcuts.
- Retailers must satisfy basic customer expectations to progress towards loyalty.

Customer Retention Strategy:

- Retaining customers is a primary business strategy to increase revenue and prevent defection to competitors.
- Customer retention is cost-effective compared to acquiring new customers.

Cost Consideration:

- Acquiring new customers is more expensive than retaining existing ones.
- A well-implemented customer retention strategy reduces acquisition costs and leverages the benefits of retaining customers.

Customer Classification:

- Customers can be categorized as loyal, dubious, or disloyal based on their behavior and interaction with the business.
- Retailers should tailor their approach to each customer group based on their needs and expectations.

10.8 KEYWORDS

Customer Loyalty: Specific desire to continue a relationship with a service provider.

Customer Retention: Customer Retention is the activity that a selling organisation undertakes to reduce customer defections.

Acquisition Cost: Cost of acquiring new customers.

Dubious Customer: Those active customers who use only acertain provider's service but do not know which provider's service they will use in the future.

Core Customer: Loyal customers that remain with the business lifelong.

10.9 TERMINAL QUESTIONS

1) What is customer loyalty and loyalty grid?
2) What are the various strategies for customer retention?
3) Describe the economies of customer value by taking a hypothetical situation.
4) Customers are different and expectations. Do you agree with the statement? Justify your answer.

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