

Answer Key**Multiple Choice**

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|---------------------|--|
| 1) C (page 278) | 26) E (page 468) |
| 2) E (page 279-280) | 27) A (page 469) |
| 3) D (page 280) | 28) A (page 473) |
| 4) A (page 289) | 29) B (page 475) |
| 5) B (page 292) | 30) E (page 476) |
| 6) A (page 298) | 31) C (supplementary reading page 97) |
| 7) D (page 301) | 32) D (supplementary reading page 103) |
| 8) D (page 304) | 33) A (supplementary reading page 104) |
| 9) C (page 322) | 34) B (supplementary reading page 106) |
| 10) B (page 330) | 35) E (supplementary reading page 107) |
| 11) E (page 332) | 36) A (page 213) |
| 12) A (page 333) | 37) C (page 588) |
| 13) D (page 334) | 38) B (page 590) |
| 14) A (page 354) | 39) C (page 593) |
| 15) B (page 355) | 40) C (page 597) |
| 16) C (page 359) | 41) A (page 598) |
| 17) C (page 365) | 42) E (page 609) |
| 18) D (page 368) | 43) D (page 84) |
| 19) A (page 370) | 44) B (page 86) |
| 20) A (page 393) | 45) B (page 90) |
| 21) E (page 398) | 46) C (page 91) |
| 22) B (page 403) | 47) A (page 94) |
| 23) B (page 400) | 48) D (page 100) |
| 24) D (page 401) | 49) B (page 103) |
| 25) C (page 408) | 50) D (page 104) |

Case Study

- 1)
- a. The six forces of the macroenvironment are demographic, economic, natural, technological, political, and cultural. (page 124)
 - b. *[Answers will vary – answer should include two forces, and justification for each. **HINT: “Technology is rapidly changing” is NOT a specific enough description to merit marks – would need more to justify.]***
 Example: The cultural environment likely has a large impact due to shifts in our food preferences. As detailed in the case, tea consumption in Canada is expected to see a sharp increase in the coming years. This presents an opportunity for DAVIDsTEA as there will be growth in demand from this market. However, in the natural environment, the Earth is beginning to see some permanent shifts in

climate due to global warming. This is a potential threat, as it might impact the specific geographies where the “tea plants” grow, which would greatly impact the supply of tea leaves for DAVIDsTEA to make their main product.

2)

a. The four different segmentation categories are geographic (regional variables such as climate or infrastructure), demographic (measurable variables such as age, marital status, or household income), psychographic (qualitative variables about how a consumer thinks, such as personality or lifestyle), and finally behavioural (pertaining to how they plan to purchase or use the product). (page 240)

b. *[Answers will vary – answer should include three variables discussed in class, and a justification for each]*

Example: Three variables that might provide a helpful description of DAVIDsTEA’s target market are:

- A millennial (generation, *demographic*) who is open to new experience and trying to find excitement in a conventional beverage
- A Canadian (culture, *demographic*) who does not already have tea linked to any established spiritual or traditional rituals.
- A hard-working person who enjoys indulging in rewards (personality, *psychographic*)

3)

a. The three levels of product are core (the key bundle of benefits offered by the product), actual (the physical presence or environment of the offering), and augmented (additional services or benefits beyond the core offering).

b. The core product is the key bundle of benefits offered by the product. For this tea, it might be a delicious and healthy drink, that is hot and comforting to drink, but allows for expression and excitement in the new flavours. The actual product describes the physical product received. Here, it is a tin or bag of high quality DAVIDsTEA branded tea, including specific instructions on how to make it in the ideal way. The augmented product is concerned with any additional services or benefits. In the case of DAVIDsTEA, this is the friendly and knowledgeable staff, the ‘around the world’ experience of the store, and the one-stop-shop for any accessories that might help customers to enjoy tea in every part of their life. (page 279-280)

4)

a. The three key brand strategy decisions include name selection (finding the best name for a brand), positioning (determining what to position the brand upon), and sponsorship (the method of branding). (page 329)

b. Brands can be positioned based on product attributes, desired benefits, or strong beliefs and values. Each one of these items helps to create a more powerful impression than the last. DAVIDsTEA can develop a very clear positioning based on product attributes (such as their high-quality teas available in a variety of flavours), or on desired benefits (such as excitement in discovering new beverages). However, in order to communicate strong beliefs and values, it is

imperative that they have clear and consistent messaging. Selling products at a discounted price, or gathering personal information are both ideas that are not consistent with their values of high-quality product and an appreciation for customers. (page 330)

5)

- a. Channel conflict is when two or more members of a distribution channel see a conflict in objectives. Horizontal channel conflict occurs between two or more members at the same level of the distribution channel. Since there is only one manufacturer, in this case, horizontal conflict would be most likely to occur between retail members, such as franchise DAVIDsTEA stores, and now Provigo. One example of this could be if a Provigo near an existing DAVIDsTEA store begins carrying the pre-packaged tea, and its sales begin to steal the customers (and sales) from the neighbouring DAVIDsTEA (“cannibalization”). Vertical channel conflict, on the other hand, occurs between members at different levels of a distribution channel. One example here might be if Provigo fails to uphold the distinct DAVIDsTEA brand image – for example, displaying the product in an unattractive manner (e.g. at the back of a shelf, or next to undesirable products), or offering deep discounts that “cheapen” the brand. (page 403)

6)

- a. The five promotional tools are advertising (paid, impersonal promotion with a clear sponsor), personal selling (one-on-one interaction with the customer), sales promotion (limited time offers designed to encourage immediate purchase), public relations (building good corporate image with various publics), and direct/digital marketing (which both target the customer with a tailored offering).
- b. Personal selling can be the most effective tool to build up a buyer’s preferences and motivate them to action. DAVIDsTEA offers an experience that is predicated on excellent customer service. A large part of this is the one-on-one interaction received when in the store. Here, personal selling is used to inform the consumer about the DAVIDsTEA product if they have not encountered it before, and to persuade them of its accessibility any ease of use. Personal selling is key here because it can be adapted on-the-spot to the customer’s previous experience with and opinions of tea, since DAVIDsTEA contradicts the stereotype. Because of this personal connection and more intimate interaction, the customer is motivated to listen and respond. (page 475)

7)

- a. Secondary data is data that has already been collected, but for another purpose. Since DAVIDsTEA already knows the demographics of their key customers, they would be able to make use of census data to determine if this area has a viable market. Alternatively, we could look at key macroenvironmental forces, such as culture: we could source data on consumer spend on (or even attitudes toward) tea in this area, which would be very helpful in determining if the environment is attractive. (page 165)

- b. The three research approaches for collecting primary data include observational research (i.e. observing people and situations), survey research (i.e. gathering descriptive information), and experimental research (i.e. collecting causal information). (page 168)
 - c. *[Answers will vary – response should include one approach identified, and an example of how it could be used to collect useful information]*
Example: Observational research could be useful here. It could be used to visit potential locations for opening a store, and observing the behaviour of the people and flow of traffic around these locations.
- 8)
- a. The three categories of global market entry strategies are exporting (when only products are sold internationally), joint venture (where another firm shares risk), and direct investment (where operations are opened in the new market).
 - b. In order to assume the least amount of risk, an export strategy should be adopted. Specifically, indirect export would be useful here, as an international intermediary would be able to offer benefits in the way that other intermediaries do, by way of consumer behaviour insight, offering promotion, matching and arranging the product, etc., all in addition to assuming the risk. (page 597)