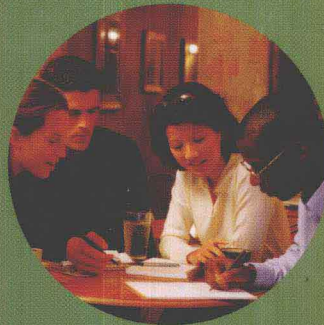
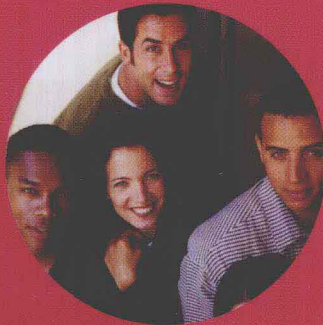
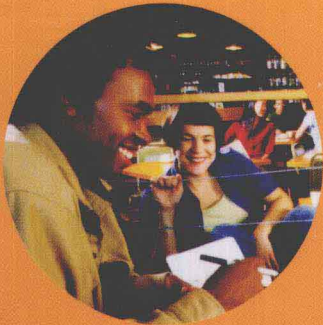


Marketing



Lamb, Hair, McDaniel

Seventh
Edition

Marketing^{7e}

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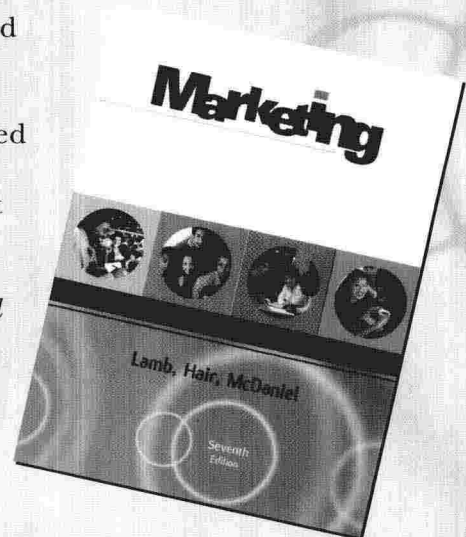
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ABOUT THIS EDITION

You are holding a textbook that has experienced a dramatic increase with each edition in the number of colleges and university student-users. We are very grateful to the hundreds of professors that have selected our text to give college students their first exposure to the dynamic world of marketing. We are honored that a vast majority of professors stay with our text edition after edition. Our research gives us an indication why this is true. *Students find Marketing, by Lamb, Hair, and McDaniel, the most exciting, readable, and enjoyable text of their college career.*



OUTLINE

SO WHAT'S NEW . . .

- BRAND NEW CONTENT
- OPENING VIGNETTES
- GLOBAL PERSPECTIVE BOXES
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- REVIEW-IT
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WHAT MAKES *MARKETING 7E* SO POPULAR WITH STUDENTS?

- WE GRAB THEIR ATTENTION
- IT'S EASY TO LEARN
- WE INTEGRATE TECHNOLOGY IN A MEANINGFUL WAY
 - XTRA! CD-ROM
 - FRESH INTERNET ACTIVITIES AND REAL-TIME EXAMPLES
 - TECHNOLOGY EXERCISES THAT REINFORCE THE CHAPTER CONCEPTS
 - NEW INTERNET MARKETING CHAPTER
 - WHO WANTS TO BE A MARKETER
- WE OFFER A ROBUST COMPREHENSIVE WEB SITE

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- THE GRADEMAKER STUDY GUIDE AND WORKBOOK
- XTRA! CD-ROM
- VIDEO CD-ROM
- CADOTTE: EXPERIENCE MARKETING AT THE MARKETPLACE

SO WHAT'S NEW

If you are already familiar with *Marketing*, you may be asking, "So what's new?" The answer is quite a bit. In addition to the dozens of new examples in each chapter, we have added new content and revised and updated existing material throughout the book.

BRAND NEW CONTENT

PART 1 We have streamlined Chapter 2 (Marketing Strategy) to make the discussion of strategy more relevant for today's marketing environment. Chapter 3 (Marketing Environment and Marketing Ethics) has a new section on American values and new content on demographics, including material and an exhibit on women as principal economic decision makers. We have revised the section on older consumers and included a completely new section on multicultural marketing. Chapter 4 (Developing a Global Vision) has been greatly revised to reflect constant changes in the global marketplace. We have updated the section on the impact of globalization on trade and added new content on the U.S. Commercial Service which includes a new exhibit on how the service helps companies that want to go global. There is updated information on direct foreign investment, new sections on the Free Trade Agreement of the Americas (FTAA), the Association of South East Asian Nations (ASEAN), and the Asia-Pacific Economic Cooperation (APEC), plus a map that depicts the member countries of the trade agreements discussed in the chapter.

PART 2 Chapter 5 (Consumer Decision Making) has new material on trends in gender marketing, and Chapter 6 (Business Marketing) has a completely revised section on business marketing on the Internet. Chapter 7 (Segmenting and Targeting Markets) now includes updated information based on the 2000 census, plus a thoroughly revised section on bases for segmenting business markets.

PART 3 Part 3 begins with Chapter 9 (Product Concepts), which has a new section on global brands. Chapter 10 (Developing and Managing Products) follows with new exhibits on the history of new product introductions and the diffusion process, plus a completely new section on on-line test marketing. We have revised the discussion on how services differ from goods in Chapter 11 (Services and Nonprofit Organization Marketing). Distribution concepts can be difficult, so we have revised Chapter 12 (Supply Chain Management) to give students an introduction to supply chain management that sticks to the basics. We have condensed the chapter in several areas to make it more readable.

PART 5 Chapter 15 (Advertising and Public Relations) has a new section on Internet advertising, plus we describe new and innovative ways of advertising, and Chapter 16 (Sales Promotion and Personal Selling) has an expanded discussion of point-of-purchase programs.

PART 6 Chapter 17 (Pricing Concepts) opens Part 6 with more examples of elastic and inelastic demand, a thoroughly revised and expanded section on the impact of Internet and extranets on pricing, and a revised section on Internet auctions. Chapter 18 (Setting the Right Price) follows with expanded discussions of choosing a pricing strategy, predatory pricing, and bundling and services. The chapter also has a new section on the implications of zero-percent financing and a revised section on value pricing, with a new section on dangers of pricing products too low.

PART 7 Much is revised in Part 7. Chapter 19 (Internet Marketing) is completely revised for every edition of *Marketing* to reflect the constantly evolving world of Internet marketing and e-commerce. Chapter 20 (Customer Relationship Management) is a new chapter that introduces the company-wide business strategy (CRM) designed to optimize profitability, revenue, and customer satisfaction by focusing on highly defined and precise customer groups. And Chapter 21 (One-to-One Marketing) simplifies the introduction to database marketing and abridges the discussion of data mining, now covered in depth in Chapter 20.



SO WHAT'S NEW.

OPENING VIGNETTES



Hair care in the United States is a \$45 billion industry. Hair care for kids under age twelve makes up approximately \$5 billion of that market. Therefore, servicing only kids excludes nearly 90 percent of the market, and thus does not appear to represent a viable market segment. Furthermore, stylists have traditionally avoided this market because the customers tend to wiggle and wail and may even bite the hand that shears them.

However, the kids' haircutting industry is growing. Since 1995, at least four new children's haircutting chains have opened around the country. They join established kids' salons such as Cartoon Cuts, a \$4.5 billion, sixteen-unit outfit whose first facility opened in Fairfax, Virginia, in 1991, and \$2 million-plus Kids' Hair, Inc., which launched the first of ten stores in 1992 in Edina, Minnesota. The growth spurt is similar to that of children's specialty retail stores like GapKids and Gymboree, which emerged in the

sophisticated mapping that superimposes spending habits on demographic and economic data such as median home values, household income, and number and ages of children, allow the company to pinpoint the most lucrative spots for new sites.

While the chains have similarities—all claim to have superior customer service and consistent offerings—each one has its own variation on the kids theme. Cool Cuts, for example, divides its waiting area into two sides. For kids age six and under, a gated-in play space is stocked with Legos and videos such as *Barney* and *Sesame Street*. For older children there is an area stocked with Nintendo 64 stations. Kid Snips sells toys and splashes whimsical jungle creatures on its walls. Stylists at Cartoon Cuts wash as well as cut their customers' hair, dousing the suds with hoses that project from the trunks of green fiberglass elephants. For the most part,

Each chapter begins with a new, current, real-world story about a marketing decision or situation facing a company. These vignettes have been carefully prepared to stimulate student interest in the topics to come in the chapter and can be used to begin class discussion. A special section before the chapter summary called **Connect It** answers the teaser questions posed in the opening vignette and helps illustrate how the chapter material relates to the real world of marketing. In the Seventh Edition, you'll read about companies like Coach, Coleman, *Maxim*, Red Bull, the Dallas Mavericks, and Universal Studios.

GLOBAL PERSPECTIVE BOXES

GLOBAL PERSPECTIVES

Powering into Europe

Coca-Cola Company sees the fragmented and fast-growing European sports-drink market as an important opportunity, which is why the company is investing \$40 million to \$50 million to launch Powerade in Europe. It is Coke's biggest marketing push in Europe in six years. "There is an open field in Europe. It's not like the United States," says Keith Parody, director of strategic marketing for Coca-Cola West Europe.

Sports drinks command an even higher premium in Europe than in the United States, where the market is well established. A 500-milliliter bottle of a sports drink costs between 90 pence and £1 (\$1.31-\$1.48) in Britain, for example, compared with about 75 pence for the same size bottle of Coke or Pepsi.

Moreover, Coke believes Europeans aged 13 to 29, the target market for Powerade, increasingly are making sports a bigger part of their lives. Coke says its new Powerade drink increases endurance

during exercise by combining the benefits of a sports drink with the energy boost of drinks such as Red Bull, made by a closely held Austrian company. The formula in Europe is the same as in the new vitamin-B-enhanced U.S. Powerade, but the taste is slightly different because of certain European regulations on ingredients, Mr. Parody says. The look is the same as in the United States, with a futuristic letter "P" logo.

As in the United States, Coke is marketing Powerade to the likes of surfers and skateboarders. Posters to be placed in gyms across Europe as part of the advertising campaign for Powerade will allude to "extreme sports" challenges, for example. But the company hopes the drink will eventually transcend its original use, and that European youths will begin drinking sports beverages more generally, as youths do in the United States.

"We want to grow the market in Europe to the point where you'll use it whenever you need en-

durance, beyond sports occasions," Mr. Parody says.

Powerade will be launched in Britain, Ireland, France, Germany, Spain, Sweden, Turkey, Italy, Poland, Hungary, and Greece. The drink, which will be sold in citrus, orange, and vivid-blueberry flavor, will be distributed first through vending machines in gyms, sports centers, and soccer stadiums before moving to convenience stores and supermarkets.

Advertising for the drink will span billboards, television commercials, sponsorships with sports figures, the Internet, and direct mail. Most of the advertising will be directed at a male audience, as the sports-drink market is generally skewed more toward men in Europe.²⁹

Describe Coke's target market strategy for Powerade in Europe. Explain the marketing mix that the company plans to employ.

Today most businesses compete not only locally and nationally, but globally as well. Companies that have never given a thought to exporting now face competition from abroad. Thinking globally should be a part of every manager's tactical and strategic planning. Accordingly, we address this topic in detail early in Chapter 4. We have also integrated numerous global examples within the body of the text and identified them with the icon shown in the margin.

Global marketing is fully integrated throughout the book, cases, and videos, as well. Our **Global Perspectives** boxes, which appear in

most chapters, provide expanded global examples of the marketing issues facing companies in countries from Asia to Africa to Europe. Each box concludes with thought-provoking questions carefully prepared to stimulate class discussion. You'll read about the Chinese supply chain, marketing beverages in developing nations, exporting marketing savvy, and the impact of the euro on pricing in Europe, among others.



ETHICS IN MARKETING

In this edition we continue our emphasis on ethics. The **Ethics in Marketing** boxes, complete with questions focusing on ethical decision making, have been revised in each chapter. This feature offers provocative examples of how ethics comes into play in many marketing decisions. Is it ethical to target teens at school? What about using sex as an advertising appeal? Or conducting racial profiling at retail stores? Students will consider these and many other hotly debated ethical questions.

REVIEW IT

In order to make our **Integrated Learning System** even more effective, we have distributed the end-of-chapter discussion and writing questions within the chapter summary in a **Review It** section. Questions are numbered according to the learning objective to which they correspond. For example, the summary point for learning objective 5 in Chapter 15 has four related questions. They are numbered 5.1, 5.2, 5.3, and 5.4. This reorganization helps students identify questions pertinent to the learning objective they are studying, allowing each chapter to function as a series of modules that can be read over multiple study sessions.

THINK ABOUT IT

In today's business environment, ethics are extremely important. In recent years, there have been numerous scandals and trials that stem from a lack of ethical judgment. In 2002, over 150 companies revised their earnings forecasts, signaling that perhaps their accounting methods were questionable. And who can forget the scandals linked to Adelphia, Tyco, ImClone, WorldCom, and of course Enron and Arthur Andersen?

Although, some might say that these occurrences are the work of a few bad apples spoiling the bunch, it is clear that ethical decision making plays a very important role in a company's success and prosperity. **Think About It** is a new ethics exercise appearing in every chapter. A brief scenario presents students with a situation in which the right thing to do may or may not be crystal clear. To help students make appropriate ethical decisions, we always refer students back to the AMA's Code of Ethics, found on-line at <http://www.marketingpower.com>. This gives students a resource for the exercise and also helps reinforce the ethical standards that marketers should uphold.

ETHICS IN MARKETING

All for the Cause

Modern-day "cause marketing" goes back to 1974 and the inception of the Ronald McDonald House Charities. Since then, the trend has been building steadily. The 1980s saw Pizza Hut, Lens-Crafters, and Home Depot launch nationwide drives to benefit charities. In the 1990s, many major retail, automotive, and cosmetic companies embraced a variety of causes, from child and family issues to breast cancer.

The trend isn't simply a case of corporate consciousness-raising; consumers are increasingly demanding that corporations "give back." According to a joint study by branding and communications firm Cone and research firm Roper Starch Worldwide, nearly two-

business practice. Roughly the same fraction agree that, all else being equal, they would be likely to switch brands or retailers to those associated with a good cause.

Dan Cunningham, chief chocolate (yes, that's his official title) of Dan's Chocolates, needed to convince the nation that fresh chocolate, shipped within seven days of manufacture from his Madison, Wisconsin, factory, is better than chocolate found lingering on retail shelves. So he devised "The Great Chocolate Challenge," the first nationwide chocolate tasting party.

For ten days in April, he offered the first ten thousand visitors to his site a six-piece chocolate sampler for a \$1 donation to char-

and ship the chocolate, and another \$2 million on radio ads in seven cities. The company also placed banners on the Blue Mountain Arts Web site.

The result? The campaign quadrupled orders and site traffic, and almost ten percent of "Challengers" became return customers. "We did more business in the month of May than we did the entire first quarter," says Ted Richardson, Dan's chief marketing officer. Though it's hard to separate the impact of Mother's Day from the promotion, no one's arguing with the \$50,000 that Dan's donated to charity at the end of the Challenge.²⁵

Is it ethical to use donations to charity to increase sales?

REVIEW IT

5 Discuss the role of public relations in the promotional mix. Public relations is a vital part of a firm's promotional mix. A company fosters good publicity to enhance its image and promote its products. Popular public relations tools include new-product publicity, product placement, consumer education, event sponsorship, issue sponsorship, and Internet Web sites. An equally important aspect of public relations is managing unfavorable publicity in a way that is least damaging to a firm's image.

5.1 How can advertising and publicity work together? Give an example.

5.2 As the new public relations director for a sportswear company, you have been asked to set public relations objectives for a new line of athletic shoes to be introduced to the teen market. Draft a memo outlining the objectives you propose for the shoe's introduction and your reasons for them.

5.3 Reports have just surfaced that your company, a fast-food chain, sold contaminated food products that have made several people seriously ill. As your company's public relations manager, devise a plan to handle the crisis.

5.4 The Ford/Firestone tire recall of 2000 was one of the biggest public relations nightmares of recent memory. How well did the companies handle the situation? Use InfoTrac (<http://www.infotrac-college.com>) to run a keyword search on "Ford public relations." Read a selection of the articles, and then write an analysis of CEO Jacques Nasser's performance in the face of this crisis. What did he do well? What could he have done better? Evaluate his solution to the problem. Has Ford recovered from the recall? What about Firestone?

THINK ABOUT IT

Ethics Exercise

People feel better when they think that they are getting a great bargain when they shop. Knowing this, some retailers mark up items above the traditional retail price and then offer a 60 percent discount. If they had simply discounted the normal retail price by 20 percent the resulting "sale price" would have been the same. One retailer says that he is just making shoppers happy that they got a great deal when he inflates the retail price before discounting.

Questions

1. What do you think?
2. Does the AMA Code of Ethics address this issue? Go to <http://www.marketingpower.com> and review the code. Then, write a brief paragraph summarizing what the AMA Code of Ethics contains that relates to retail pricing.

SO WHAT'S NEW...

TRY IT: ENTREPRENEURSHIP CASE

TRY IT

Entrepreneurship Case Cool and How to Find It: Look-Look

You can't always believe what you hear, particularly in the fast-moving world of youth trends. That is, unless you listen to Sharon Lee and David Gordon, founders of Look-Look, the most accurate information resource on the global youth culture. The pair founded the company in 1999, determined to find what ever makes the cultural spider-sense tingle—music, shoes, clothes, games, makeup, food, and technology. Lee and Gordon took Look-Look on-line in 2000, and the company has quickly risen to be the paragon of trend forecasting in the youth market. How?

When Sharon Lee needs to know what's cool, she taps into a network of experts the CIA would envy. It's a Web-linked weave of nearly ten-thousand volunteers and part-timers, aged fourteen to thirty, recruited over several years at clubs and hangouts around the country. From New York to Los Angeles and points in between, to report on their world.

Look-Look's multilevel database is populated with thousands of prescreened recruits who log on to answer surveys and polls, register opinions, and communicate for points that can lead to cash, digital cameras, and other techie toys. Some of the recruits, armed with digital cameras, can photograph their world, then upload the pictures, send e-mail reports, and use Look-Look's intranet message boards. The young field agents might snap anything from a rave to their bedroom walls. Look-Look relies on "early adopters and influencers" to provide the layers of information that traditional research only skims.

Look-Look is a cool seeker, paid by major marketers to get the first bead on what's next on the horizon. With a cool seeker's expertise, even the most staid company can be on the razor's edge. Look-Look foretold out the then-unfashioned popularity of under-a-dollar stores, fold-up scooters, and over-the-shoulder bags.

Cornerstone Promotion, a Look-Look rival, was behind Microsoft's successful launch of the Xbox video-gaming system. "Seventy kids got units," said Cornerstone's president.



Entrepreneurship, whether in the newest dot com or in America's largest corporations, is what fueled the greatest period of expansion in American history. Thirteen chapters have new entrepreneurship cases highlighting the challenges facing entrepreneurs in the 21st century. **Try It** cases focus on a wide variety of companies, like Look-Look (a marketing research company specializing in cool spotting), Identix (maker of optical identification systems based on a person's biological features, such as eye patterns or fingerprints), Global Lightwave (an Israeli optics company), IslanderISP (an Internet service provider started by high-school students on Seattle's exclusive Mercer Island suburb), Noodé (a skin care company

and product line for Generations X and Y), and mytoybox.com.

But we also recognize that entrepreneurial activities take place across the Fortune 500, so we profile industry giants like W. W. Grainger, which offers over 600,000 maintenance, repair, and operating items, and Valvoline. Both have used a highly entrepreneurial approach in various parts of their business. Your students will find these cases an exciting and challenging aspect of each chapter. But our coverage of small business issues doesn't stop there.

Many students will either work for a small business or strike out on their own to form an organization. For this reason, we continue to include **Apply It: Application for Entrepreneurs** at the end of each chapter. **Try It** cases apply general marketing concepts to the world of start-ups and small business. The **Apply It** exercises are mini-cases designed to illustrate how small business can create strategies and tactics using the material in the chapter. In addition, small business examples throughout each chapter are identified by the icon in the margin.



WATCH IT

WATCH IT

Short MARKETING POWERPOINT

The **Marketing PowerPoint** CD-ROM has four ad videos in the Chapter 9 slide presentation. The concepts of homogeneous shopping products, product line, cobranding, private brands, and warranty are illustrated in ads for AOL/WebMD, Kenmore, Chrysler, and Radio Shack. While watching the ads, write about the concepts you see in each ad.

Medium CNN VIDEO

What makes a product organic, and what does hypoallergenic actually mean? The CNN clips for Chapter 9 address products and issues relating to standardizing the organic claim.

Long SMALL BUSINESS SCHOOL

To give you insight into Chapter 9, **Small Business School** will take you to Fluker Cricket Farms in Baton Rouge, Louisiana. Richard Fluker started the business when he couldn't find bait before going fishing. Now his product line includes gourmet snacks! Watch the segment and see how real businesspeople are working with the concepts of product, line, and mix.



Video is a valuable teaching tool, so this edition has a completely new video package that combines short, medium, and long segments. **Watch It** gives students a brief description of segments relating to that chapter. For instance, in Chapter 9 (Product Concepts), the short segments are ads for Kenmore, Chrysler, Radio Shack, and AOL with WebMD; the medium segment is about organic labeling; and the long segment is about Fluker Cricket Farms in Baton Rouge, Louisiana. Students are prepared for video viewing in or out of class by reading the **Watch It** at the end of the chapter.

FLIP IT, CLICK IT, AND SPIN IT

Because we offer a comprehensive set of learning resources, students may not know what is available to help them study. The Seventh Edition adds three brief new sections at the end of each chapter to help students identify the study aids that are right for them. **Flip It** describes learning opportunities in the Grademaker Study Guide and Workbook, **Click It** reminds students of the many resources at their disposal at <http://lamb.swlearning.com>, and **Spin It** lists the materials for review on their Xtra! CD-ROM.



FLIP IT

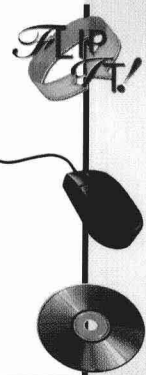
Flip to Chapter 10 in your *Grademaker Study Guide* for more review opportunities, including the pretest, vocabulary review, study test questions, and a marketing application based on product concepts. Can you describe the product life cycle? Do you know which marketing mix strategies work best at each point in the product life cycle? What about the diffusion of innovation? If you're unsure, then pick up your *Grademaker* and review.

CLICK IT

The *Marketing Web site* links you to all the Internet-based activities in this chapter, like the "Use It," "Review It" questions 2.4, 2.5, 4.1, and 6.1, and the On-Line exercises in the chapter margins. As a review, do the Chapter 10 quiz and crossword puzzle. And don't forget the Career Exports that give you resources for exploring product-development career opportunities. Review the main concepts in the PowerPoint presentation for Chapter 10, too. Go to <http://lamb.swlearning.com>, read the material, and follow the links right from the site.

SPIN IT

Spin your Xtra! CD-ROM to test your understanding of the new-product development concepts in this chapter by completing the worksheets for Exhibits 10.2, 10.3, 10.5, 10.6, 10.8, and 10.9. If your instructor has assigned a marketing plan project, worksheets on Xtra! can help you organize your work. In addition to the quiz on the Web site, there's another quiz on the Xtra! CD-ROM, plus video of the authors answering frequently asked questions about new products and product diffusion, such as "Why do so many new products fail?" and "Why is such a small proportion of the new products introduced each year 'new-to-the-world' products?"



MARKETING MISCUES

Mistakes can have tough consequences, but they also offer a great lesson. This is especially true in marketing. At the end of each part you will find new cases that describe good and bad ideas that couldn't make it in the rough and tumble marketplace. Often amusing and always interesting, these cases about Kmart, Metricom, Moxi, Jeremy's Microbatch Ice Cream, Duracell, Apple, and Eli Lilly will help your students avoid the same mistakes made by these well-known companies.



MARKETING MISCUES

Kmart's Blue Lights Are in the Red, and There's Nothing Special about It

Is there anything special about Kmart anymore? Do consumers know what Kmart and its brands stand for? Does Kmart have an image in the retail marketplace? Answers to these questions were crucial to Kmart's long-term survival as the company entered into Chapter 11 bankruptcy proceedings in early 2002. Kmart's case was the largest retail bankruptcy filing in U.S. history, as well as the sixth-largest bankruptcy case in U.S. history.

More than a hundred years ago, Sebastian Kresge opened his first five and dime store in Michigan. This store was the first of what would come to be known as the S. S. Kresge Company. The company's business philosophy was to offer products that consumers needed at prices they could afford. In doing so, management expected that customers would keep returning. The company thought it had found the key to customer loyalty.

Unfortunately for Kresge, another retailing guru would soon enter the picture. In 1962, when Kresge launched the Kmart concept, Sam Walton was setting in motion the debut of Wal-Mart. Kmart never expected that the retailing showdown with Wal-Mart would ultimately result in Kmart's appearance in bankruptcy court. For forty years, it battled Wal-Mart, and in the end, Kmart had lost. What went wrong?

According to market analysts, Kmart made a series of strategic and tactical blunders. Strategically, Kmart failed to differentiate itself as a retailer. In-

concerns such as poor customer service, long check-out lines, inconsistent price marking, dingy stores, empty shelves, and old merchandise as issues that led to Kmart's downfall.

Some would say that this downfall should not have come as a surprise to Kmart management, employees, and customers. Kmart appeared to have focused solely on its competition and what they were doing rather than focusing on its customers and what they wanted. In the end, Kmart could not differentiate itself from Wal-Mart because it could not price below it. Nor could Kmart sway Target customers because it appeared unable to provide the in-store experience that made customers feel like as they purchased discounted clothing.

At the time of its bankruptcy filing, Kmart was the third largest retailer in the United States, with 2,100 stores across the United States and Puerto Rico. While Kmart was filing Chapter 11, Wal-Mart boasted sales of \$200 billion, with growth rates of 15 to 20 percent, and Target's 1,055 stores posted record sales revenue of \$37 billion. With competition like this, there was doubt as to whether Kmart could identify its past strategic mistakes and differentiate itself in the retail marketplace. Could Kmart devise a unique and compelling strategy that would leave the company's fractured image behind? Or, should Kmart's blue lights be turned off forever?

Questions

1. Is this an example of poor strategy formulation or poor strategy implementation?

CRITICAL THINKING CASES

Making smart decisions is at the heart of successful marketing. **Critical Thinking Cases** at the end of each part put your students in the role of decision maker. They will evaluate the marketing plans of well known organizations like Hewlett-Packard, Square Two Golf, Segway, Philip Morris, Morpheus, Nokia, and Peapod.



CRITICAL THINKING CASE

Nokia's \$20,000 Cellular Phone

Nokia's luxury edition cellphone has it all—platinum or 18-karat gold housing, crystal screen, soft leather casings, upgradeable internal components—all for only \$21,240 (18,000 euros)! Why such a high-priced cellphone? Will anyone buy it?

The Mobile Phone Industry

The mobile phone industry has burgeoned in the past few years. By 2003, cellular penetration is expected to be as high as 80 percent in many European countries and slightly greater than 30 percent in the United States. Product innovation and pricing appear to be the drivers for this level of market penetration. Price-sensitive consumers are expected to purchase the low-end cellphones, while price-insensitive consumers will demand the latest and greatest in cellular technology.

By 2002, the mobile phone industry was thought to be the world's largest consumer electronics industry in terms of unit sales. Although overall market penetration has been phenomenal, such growth levels are not expected to continue. Rather, experts predict only modest growth in the mid- and late 2000s. Since first-time users accounted for over half of mobile phone purchases at the start of 2000, replacement sales are expected to comprise around 75 percent of sales in later years.

The mobile phone industry is dominated by major competitors including Ericsson (Sony), Motorola, Nokia, Qualcomm, Samsung, and Sanyo. Each of these companies offers cellular phones with nu-

merous features. In an attempt to differentiate its product offerings while building on its branding efforts, Nokia has founded the world's first luxury mobile phone company. This new, independent subsidiary, Vertu, Ltd., started operations in early 2002 and will cater to very wealthy consumers. A senior vice president in Nokia's Asia-Pacific division, Nigel Dickinson, will serve as president of London-based Vertu, Ltd.

Historically, Nokia has been known for marketing well-designed, user-friendly phones that are popular with the everyday phone user. The new Vertu phones, however, focus on the phone as a status symbol of the very wealthy and take Nokia into a niche market. Selling under the Vertu brand, the company's most expensive product carries a hefty price tag of \$21,240. For this premium price, the rich and discerning customer gets a cellular phone that makes a fashion statement. In addition to its platinum handset and crystal display screen, this limited-edition luxury phone features evolutionary technology that will allow the phone's internal mechanisms to be upgraded while keeping the outside casing intact. The lower end of this elite product will feature similar internal technology inside a stainless steel casing. The low-end price is expected to be around \$5,300. These luxury phones will be available by private showing only in the most distinguished shopping areas of Paris, London, Los Angeles, New York, and Hong Kong.

Nokia is not the only company offering limited-edition, high-end cellular phones. For many years, Ericsson has made gold-plated phones, and Motorola has an 18-karat gold, diamond-studded phone. Priced

WHAT MAKES *MARKETING 7E* SO POPULAR WITH STUDENTS?

WE GRAB THEIR ATTENTION

We have done extensive research to provide a comprehensive, up-to-the-minute introduction to the field of marketing. Because we weave hundreds of real-world examples into our discussions, our text is called lively and interesting. You should know that this never means superficial or shallow. The latest concepts are covered in detail in a lucid manner with numerous illustrations. For example, in Chapter 3 on the marketing environment, you'll read this passage.

In recent years there has been explosive population increases among African Americans, Hispanics, and Asians, with those groups now accounting for 79 million out of 281 million Americans. Collectively, they represent an estimated \$1 trillion in annual spending power. Hispanics are the fastest growing segment of the population. The diversity of the U.S. population is projected to stabilize around 2023, as the birthrate of minorities levels off.

Is this straightforward information that students need to know? Absolutely. Does that mean that students find this and the other concepts and research-based facts presented in their book very compelling, let alone interesting? Maybe, maybe not. But what we do is combine this information with examples of how real companies are using that information to their benefit (or not using them, to their detriment). The passage below is also in Chapter 3, and it shows how Procter & Gamble, one of the largest global consumer products companies, is using demographic statistics (like those above) in its Multicultural Market Development Organization.

Procter & Gamble has created a new "Multicultural Market Development Organization" to reach minority markets. Now, every six months, the firm sends out 4.5 million copies of its promotional magazine "Avanzando con tu Familia," or "Getting Ahead with your family." That's one copy for every two Hispanic households. Marketers have reworked the Spanish slogan for Cover Girl makeup, and product developers are creating new Secret deodorant scent names that they hope will appeal to Hispanic consumers. In addition, P&G's new line of Pampers diapers with a "cloth-like backside" come in boxes written in both English and Spanish.

This is just one example of how we have illustrated the principles and concepts in this book with literally hundreds of fresh, new examples.

IT'S EASY TO LEARN

Since the First Edition, one of the hallmarks of *Marketing* has been its **Integrated Learning System**. Many of today's students are not only students—many work, commute and some even have families of their own. This can make it hard to read a chapter in a single sitting. In fact, it can take anywhere from two to five sittings to completely read through a chapter once. With all the starting and stopping of studying, it can be hard to retain the chapter concepts.

Our unique **Integrated Learning System** breaks each chapter into modules organized around the learning objectives, which are placed in the margin throughout the chapter. Students know exactly where a learning objective begins and where it ends. And in the Seventh Edition, we have separated the review questions at the end of each chapter and placed them after the appropriate summary point. Students can answer the questions that relate to the material they have just read. Likewise, the **Grademaking Study Guide and Workbook** is organized by learning objective, with different types of review questions for each objective. Students can divide the material in each chapter into manageable chunks, read it, review it, and practice it—without losing it!

WE INTEGRATE TECHNOLOGY IN A MEANINGFUL WAY

From the beginning, we have integrated new technologies into our **Integrated Learning System** in a meaningful way. The Seventh Edition continues this tradition by adding new and exciting content to our technology materials. We have also enhanced and refined popular media supplements to bring concepts alive in the classroom. Managers and workers explain why certain marketing strategies achieve glowing success and others failed. Other marketers speak about how their new product development process works or how they penetrated the global marketplace. Media concept applications, such as these, create higher levels of comprehension and interest among your students.

XTRA! CD-ROM

Our new **Xtra! CD-ROM** is like no other. We have included extra content modules on competitive intelligence, multicultural marketing, and broken brands. In a brand new video feature, each chapter has an “Ask the Author” segment in which one of the authors responds to frequently asked questions about the marketing topics discussed in the given chapter. For Xtra!, we have revised the **Marketing Planning Worksheets** to make them easier to use, plus we have created new exhibit worksheets for the tables and diagrams in the text. Students can print out the worksheets, and following the instructions on the sheet, fill in the diagram or table. They can then check their recall of important topics using the actual text exhibit. Other self-assessment tools include a ten-question quiz for each chapter that contains questions similar to what they will see on exams and in the **Grademaker Study and Workbook**. To help students decide whether or not they need additional review, an abridged chapter from the Grademaker is also on Xtra! And lastly, Xtra! features a copy of the **PowerPoint™** presentation.



FRESH INTERNET ACTIVITIES AND REAL-TIME EXAMPLES



Despite the technology bust of 2000, the Internet is here to stay and continues to be a powerful resource for teaching and learning. Each chapter of *Marketing* contains numerous examples of the Internet's role in marketing, designated throughout the text by the icon in the margin. In addition, we regularly offer opportunities for students to use the Internet to further their study of chapter content. **On Line** activities with URLs appear in the margins throughout each chapter and are tied to either organizations mentioned in the text or the concepts being discussed. For example, in Chapter 5, students will read about how gender marketing is influencing the video game industry, which is beginning to develop new games based on popular female characters like Barbie and Nancy Drew aimed at capturing female customers. The On-Line activity below allows students to explore this trend in greater detail.

Because each activity calls for student effort and feedback, you can use these mini-exercises as additional assignments or quizzing opportunities. We have kept the best exercises from the Sixth Edition and added ninety new ones. Knowing how fast the Internet changes, we have made a concerted effort to create exercises and direct students to sites that have staying power and that will not become obsolete by the end of the semester.

Links to all URLs in the book are located on the text's Internet site at <http://lamb.swlearning.com>.

GameGirlz

What kind of games are available at the Game-Girlz Web site? How do the games “for” girls differ from the games “for” boys at GameSpot?

<http://www.gamegirlz.com>

<http://www.gamespot.com>

On Line




WHAT MAKES MARKETING 7E SO POPULAR WITH STUDENTS?

TECHNOLOGY EXERCISES THAT REINFORCE THE CHAPTER CONCEPTS

Nearly every chapter has multiple technology assignments in the **Review It** section. Questions that contain a technology component are identified with the on-line icon. For example, after reviewing strategy concepts in Chapter 2, students are sent to the Web for the following activity:

4 Explain the components of a situation analysis. In the situation (or SWOT) analysis, the firm should identify its internal strengths (S) and weaknesses (W) and also examine external opportunities (O) and threats (T). When examining external opportunities and threats, marketing managers must analyze aspects of the marketing environment in a process called environmental scanning. The six most often studied macroenvironmental forces are social, demographic, economic, technological, political and legal, and competitive. During the situation analysis, it is crucial that the marketer identify a competitive advantage and establish that it is a sustainable competitive advantage.


4.1  Competition in the private courier sector is fierce. UPS and FedEx dominate, but other companies, such as Airborne, Emery, and even the United States Postal Service, still have a decent chunk of the express package delivery market. Perform a mini-situation analysis on one of the companies listed below by stating one strength, one weakness, one opportunity, and one threat. You may want to consult the following Web sites as you build your grid:

United Parcel Service (UPS) <http://www.ups.com>
FedEx <http://www.fedex.com>
Airborne <http://www.airborne.com>
Emery <http://www.emeryworldwide.com>
USPS <http://www.usps.gov>

In addition to the numerous Internet assignments throughout the book, we continue to offer students access to the InfoTrac database maintained by the Gale Research Group. InfoTrac contains over 14 million articles from over 3,800 sources dating back to 1980. Students can use InfoTrac to connect with the real world of marketing through refereed academic journals, business and popular magazines and newspapers, and a vast array of government publications.

With so many articles and publications at the students' disposal, they could get lost in research. So we have created guided exercises to help them develop their research and critical reading skills. For instance, in Chapter 18, after students review the government regulations that affect pricing, they can do the following exercise:



2.1  What kind of factors can push a respectable firm to enter a price-fixing arrangement with a competitor? Using InfoTrac (<http://www.infotrac-college.com>), read about the price-fixing scandals that rocked the art auction industry or the Hollywood movie studios and Blockbuster Video during 2001 and 2002. If there are more current scandals, read a selection of articles on a particular industry. Then compile a list of business practices and pricing issues that are present in the reports of each scandal. Is each scandal unique, or are there overlapping characteristics? What conclusion can you draw about price fixing from the articles you read? How does the federal government deal with price fixing?

InfoTrac exercises like this one can be found throughout the text to either guide an original research project or provide structured reading exercise.

NEW INTERNET MARKETING CHAPTER

E-commerce changes at the speed of light. We completely rewrite Chapter 19, Internet Marketing, with each edition to explain the dynamic world of e-commerce. The latest marketing innovations, technology shifts, dot com success and failures, are covered like no other text. We don't neglect the traditional companies but explain how many of these firms are morphing to "bricks and clicks." Our Internet Marketing chapter is located at the text's Web site at <http://lamb.swlearning.com> and contains all of the features of our print chapters with the added bonus of direct links to company examples and sources of information.

WHO WANTS TO BE A MARKETER

When we debuted *Who Wants to Be a Marketer?* with the Sixth Edition, we did not anticipate how popular it would become. Developed by John Drea of Western Illinois University, this exciting supplement to the Seventh Edition of *Marketing* by Lamb, Hair, and McDaniel is an in-class, computer-based game. *Who Wants to Be a Marketer?* is a fun and exciting way to review terminology and concepts with students. This easy-to-use game only requires Microsoft PowerPoint™ and a method to display the screen to the entire class (such as a data projector). *Who Wants to Be a Marketer?* has two rounds of fifty original questions per each chapter, for a total of 2,100 questions! *Who Wants to Be a Marketer?* is only available for adopters of *Marketing* by Lamb, Hair, and McDaniel.

WE OFFER A ROBUST COMPREHENSIVE WEB SITE

Lamb, Hair, and McDaniel's Web site contains a wide array of supplementary products for instructors to use to enhance their course material and presentations, and for guiding students down the path to a clear understanding of the concepts presented within the text. It also offers Web pages dedicated to students' needs and geared toward helping them succeed. The instructor's site includes: a sample chapter from the Test Bank and the Grademaker Study Guide, the entire Instructor Manual, "Great Ideas in Teaching Marketing," the entire PowerPoint™ presentation with hyperlinks in viewable and printable formats, case updates for all the end-of-chapter and end-of-part cases (one update per case per semester), "Who Wants to Be a Marketer?", and a features archive of boxes and vignettes from the Sixth Edition. The abundant student materials include:

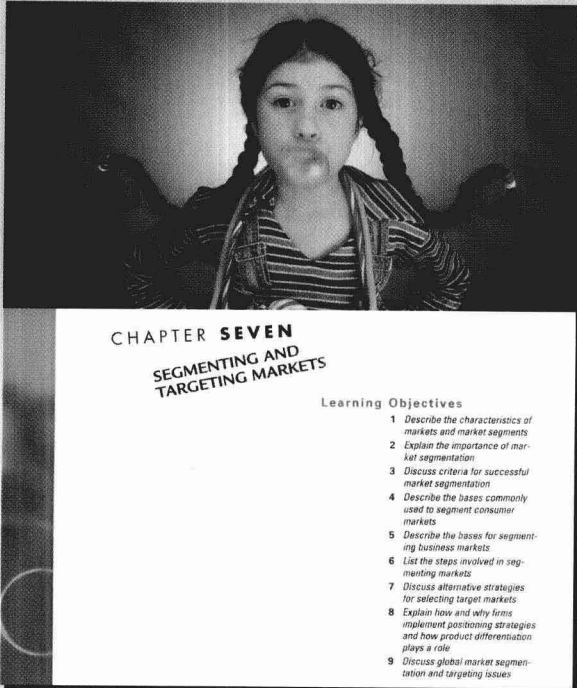
- ⊙ The **Interactive Study Center** contains materials for every chapter of *Marketing, 7e*: chapter summary points; crossword puzzles of marketing terminology; Internet Applications which contain **On Line** margin activities plus **Use It** and **Review It** items from the text that have an Internet component; and interactive quizzes with a self-assessment for each chapter.
- ⊙ A downloadable set of **PowerPoint™ slides** and the order form for the Grademaker Study Guide and Workbook, plus an abridged sample chapter from the study guide can be found on the Student Resources page.
- ⊙ **Chapter 19** on Internet Marketing.
- ⊙ The **Marketing Plan Project** features a new small business every semester. Students can read the case and develop a marketing plan for a real company struggling with various marketing issues. In conjunction with questions keyed to every chapter, instructors can use the **Marketing Plan Project** as a comprehensive case. Without the questions, the case provides the basis for a student project, which can be submitted at its completion to the profiled company via the publisher as part of the **Marketing Plan Project Contest**. Guidelines and contest rules appear on the **Marketing Plan Project** page at <http://lamb.swlearning.com>.
- ⊙ To help students get started in the field of marketing, the Lamb, Hair, and McDaniel Web site features **Your Marketing Career**. This valuable tool presents information on a variety of marketing careers and includes helpful advice and a multitude of resources for starting a marketing career. A self-assessment tool, career listings with compensation ranges, a features-advantages-benefits model to help students determine job fit, a list of resources for job prospecting, information on how to write a résumé, and a pre-interview checklist are only some of the many career materials available at **Your Marketing Career**.
- ⊙ **Career Exersites** are unique Internet activities designed to help students use the Web as a career research tool. Developed specifically for each chapter, the exersites give students resources for researching a marketing career in a field related to the chapter content. For example, the exersite for Chapter 8 (Decision Support Systems and Marketing Research) lists useful Web sites for exploring a career in marketing research with an activity to help build career skills.
- ⊙ **Infotrac Exercises** allow students to read marketing news without having to cull through the plethora of business periodicals to find it. Each article consists of current news relating to the chapter topics. Discussion questions follow the article to help students apply what they know to the situation presented.



INFOTRAC
COLLEGE EDITION

WHAT MAKES MARKETING 7E SO POPULAR WITH INSTRUCTORS?

OUR INTEGRATED LEARNING SYSTEM™



All of our new and exciting content is anchored by the cornerstone of our text, our fully **Integrated Learning System**. The text and all major supplements are organized around the learning objectives that appear at the beginning of each chapter, so *Marketing 7e* is both easy to teach from and to learn.

A numbered icon like the one shown in the margin identifies each objective in each chapter and appears next to its related material throughout the text, Instructor's Manual, Test Bank, and Study Guide. In other words, every learning objective links the text, Study Guide, Test Bank, and all components of the Instructor's Manual. The system is illustrated on the inside front cover of the text.

Chapter learning objectives are the linchpin of the **Integrated Learning System**. They provide a structure for your lesson plans—everything you need to assure complete coverage of each objective icon. Do you want to stress more on learning objective 4, Chapter 13, “Discuss nonstore retailing techniques?” No problem. Go to the Instructor's Manual, objective 4, Chapter 13, and you'll find supplemental material. Do you want to

emphasize the same objective on an exam? In every chapter in the Test Bank, questions are organized by type and level of difficulty. Now you can test on objective 4 by type of question and degree of difficulty. This value-driven system for you, the instructor, delivers what it promises—full integration.

Still Shaky? Here's a Tip.

Studying for comprehensive exams doesn't have to be a chore. Form a study group. Photocopy the *Marketing 7e* glossary and cut it into strips, one term per strip. Put all strips into a large bowl. Divide into teams and draw out one strip at a time. Quiz the opposing team and then read the correct answer. You can do the same with the summary sections at the end of each chapter. You can tabulate points, but you'll all win!

questions. Students can quickly identify all material relating to an objective by simply looking for the learning objective icon. And every chapter still concludes with a detailed study tip to help students master marketing concepts.

OUR TEXT PEDAGOGY EXCITES AND REINFORCES LEARNING

Pedagogical features are meant to reinforce learning, but that doesn't mean that they have to be boring. We have created teaching tools within the text itself that will excite student interest as well as teach.

🔗 **Cross-Functional Connections:** No marketer is an island. Marketing professionals work with every functional area of the company. The **Cross-Functional Connections** that open every part explore the give and take between marketing and all other business functions. Solutions to the topical questions are provided at the end of each part so that students can test their understanding of how marketing is integrated with the other functions of business.

1

- ⊙ **Opening Vignettes, Revisited at Chapter Conclusions:** Each chapter begins with a new, current, real-world story about a marketing decision or situation facing a company. A special section before the **Review It** chapter summary called **Connect It** answers the teaser questions posed in the opening vignette and helps illustrate how the chapter material relates to the real world of marketing.
- ⊙ **Use It:** Students are often heard to comment, “Yes, I can use this information when I graduate and get into my career, but what take-away value can I get right now?” **Use It** addresses this concern by covering a topic related to the chapter that the student can put to work today. For example, in Chapter 4 (Developing a Global Vision), **Use It** tells students how to find a job overseas and also offers tips on changing money abroad.
- ⊙ **Define It:** Key terms appear in boldface in the text, with definitions in the margins, making it easy for students to check their understanding of key definitions. A complete alphabetical list of key terms appears at the end of each chapter as a study checklist called **Define It**, with page citations for easy reference.
- ⊙ **Review It:** Each chapter ends with **Review It**, a summary that distills the main points of the chapter. Chapter summaries are organized around the learning objectives so that students can use them as a quick check on their achievement of learning goals. Discussion questions and activities are under the learning objective to which they pertain.
- ⊙ **Writing Questions:** To help students improve their writing skills, we have included writing exercises with the **Review It** questions at the end of each chapter. These exercises are marked with the icon shown here. The writing questions are designed to be brief so that students can accomplish writing assignments in a short time and grading time is minimized.
- ⊙ **End of Chapter Team Activities:** The ability to work collaboratively is key to success in today’s business world. End-of-chapter team activities, identified by the icon shown here, give students opportunities to learn to work together by engaging in consensus building and problem solving.
- ⊙ **Apply It—Application for Entrepreneurs:** These short scenarios prompt students to apply marketing concepts to small business and entrepreneurial settings. Each scenario ends with provocative questions to aid student analysis and comprehension.
- ⊙ **Try It—Entrepreneurship Case:** All chapters contain **Try It**, an entrepreneurship case with questions to help work through problems facing real small business companies today.



All components of our comprehensive support package have been developed to help you prepare lectures and tests as quickly and easily as possible. We provide a wealth of information and activities beyond the text to supplement your lectures, as well as teaching aids in a variety of formats to fit your own teaching style.

INNOVATIVE AND VALUABLE INSTRUCTOR SUPPLEMENTS

INSTRUCTOR RESOURCE CD-ROM

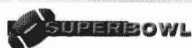
Managing your classroom resources is now easier than ever. The new Instructor Resource CD-ROM contains all key instructor supplements—Instructor's Manual, Test Bank, and PowerPoint™.

POWERPOINT™ CD-ROM

To take full advantage of the new features of the *Marketing 7e* PowerPoint™ presentation, you'll want to use the customizable PowerPoint™ CD-ROM. Many of the 1,000 full-color images provided with *Marketing 7e*, contain valuable teaching notes to help guide you through your lecture. In addition, hyperlinks to the **On-Line** activities in the chapter margins are embedded in each chapter of slides so that you can maximize your use of these activities during class time. Short thirty-second television ads from recent Super Bowl broadcasts are embedded in the slide presentation and are only viewable through the PowerPoint™ CD-ROM. All you need is Windows to run the PowerPoint™ viewer and an LCD panel for classroom display.

TRIPLE OPTION VIDEO PACKAGE

The video package to accompany *Marketing 7e* is the most comprehensive in our history. We provide you with three options for video use: Each chapter has a combination of thirty-second clips (short) embedded in the instructor's PowerPoint™ CD-ROM presentation, two- to four-minute clips (medium) for classroom viewing, and a ten- to fifteen-minute clip (long) for both classroom viewing and home viewing via the new video CD-ROM. There are forty short clips, twenty-one medium clips, and seventeen long segments.



The short clips consist of television ads that were originally broadcast during the **Super Bowl** games. The medium clips have been pulled from CNN's news footage archives and show how marketing principles operate in the world of big business. And the long clips are excerpted footage from various episodes of the thirty-minute **Small Business School (SBS)** program broadcast nationwide on PBS.



Each chapter has a designated **SBS** segment as the lead segment for that chapter, but because the **SBS** programs cover all aspects of business, **SBS** segments raise more issues than just those presented in the assigned chapter. For example, the lead segment for Chapter 1 is on Wahoo's Fish Taco, a uniquely Californian restaurant, but the content in the Wahoo's Fish Taco segment also relates to material in Chapter 5 (Consumer Decision Making), Chapter 7 (Segmenting and Targeting Markets), Chapter 13 (Retailing), and Chapter 15 (Advertising and Public Relations). The rich **SBS** videos will help reinforce what you've learned by showing you people who are doing marketing every day—and not according to thematic units. The multifaceted **SBS** videos give you maximum flexibility in how you use the videos, and combined with the short and medium option videos, the possibilities are endless!

