M Advertising 3rd edition Schaefer Test Bank

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Chapter 02
Test Bank

1. The economic effect of advertising triggers a chain reaction of hard-to-predict economic events.
TRUE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: The economic effect of advertising is like the break shot in billiards or pool. The moment a company begins to advertise, it sets off a chain reaction of economic events. The extent of the chain reaction, although hard to predict, is related to the force of the shot and the economic environment in which it occurred.

2. Advertising can add value to a brand by educating customers about new uses for a product.
TRUE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: Advertising often also adds value to a brand by educating customers about new uses for a product.

3. The firms eliminated by competition tend to be those that served the consumers most efficiently.
FALSE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: Intense competition does tend to reduce the number of businesses in an industry. However, firms eliminated by competition may be those that served customers least effectively.

4. The abundance principle states that advertising has little effect on a wealthy economy.
FALSE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: The importance of advertising is best demonstrated by the abundance principle. This states that in an economy that produces more goods and services than can be consumed, advertising serves two important purposes: It informs consumers of their alternatives (complete information), and it allows companies to compete more effectively for consumer dollars (self-interest).

5. When an ad states that chicken soup made with Swanson chicken broth “tastes as good as Grandma’s,” the advertiser is using puffery.
TRUE

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

Feedback: Puffery refers to exaggerated, often subjective claims that can’t necessarily be proven true or false, such as “the best,” “premier,” or “the only way to fly.”

6. One criticism of advertising is that ads are so powerful that consumers are helpless to defend themselves against the temptations and appeals of the ads.
TRUE

AACSB: Analytic

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

Feedback: Critics claim advertising is so powerful consumers are helpless to defend themselves against it.

7. Critics argue that the proliferation of new media has worsened the problem of too much media.
TRUE

AACSB: Technology
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

Feedback: With the proliferation of new media choices, this externality is only likely to get worse. In addition to cluttered websites, our e-mail boxes are flooded with commercial messages and mobile advertising is surging.

8. Despite the increasing number of women in executive positions in the labor force, most modern advertisers have *not* changed their stereotypical depictions of women as subservient housewives and sex objects.
FALSE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

Feedback: In national advertising, the image of women is also changing from their historic depiction as either subservient housewives or sex objects. The change may be partially due to the increasing number of women in managerial and executive positions with both advertisers and agencies. In 2012, nearly 58 percent of women 16 years of age and older were in the labor force, and women occupied more than half of management, professional, and related positions. Advertisers want to reach, not offend, this sizable market of upwardly mobile consumers.

9. According to marketing professionals, advertising promotes a higher standard of living, subsidizes the arts, and supports freedom of the press.
TRUE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

Feedback: Marketing professionals say that advertising encourages the development of, and speeds the acceptance of, new products and technologies. Advertising, they point out, also promotes a higher standard of living; it pays for most of our news media and subsidizes the arts; it supports freedom of the press; and it provides a means to disseminate public information about important health and social issues.

10. Adherence to ethical and socially responsible principles is the moral obligation of advertisers.
TRUE

AACSB: Ethics
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Explain the difference between social responsibility and ethics in advertising.
Topic: Ethical Considerations in Advertising, Promotion, and IMC Campaigns

Feedback: Together, ethics and social responsibility can be seen as the moral obligation of advertisers, even when there is no legal obligation.

11. The U.S. Supreme Court has ruled that “commercial speech” is *not* entitled to any First Amendment protections.
FALSE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: The Supreme Court has distinguished “speech” and “commercial speech” (speech that promotes a commercial transaction). But decisions over the last two decades suggest that truthful commercial speech is also entitled to significant, if not full, protection under the First Amendment.

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12. While most children and parents are still joint consumers, more and more children are becoming sole decision makers about which products they want.
TRUE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: More and more children are becoming the sole decision makers about the products they consume.

13. The uniform nature of advertising regulation in the United States ensures that advertisers easily understand what is required to comply with regulations.
FALSE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: Among the many federal agencies and departments that regulate advertising are the Federal Trade Commission, the Food and Drug Administration, the Federal Communications Commission, the Patent and Trademark Office, and the Library of Congress. Because these agencies' jurisdictions often overlap, advertisers may sometimes have difficulty complying with all of their regulations.

14. Deceptive advertising occurs when a consumer is "unjustifiably injured" or there is a "violation of public policy."
FALSE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Deceptive Advertising

Feedback: Unfair advertising occurs when a consumer is "unjustifiably injured" or there is a "violation of public policy" (such as other government statutes).

15. When Miller Brewing advertises that its Miller 64 brand of beer has fewer calories than Bud Light, Miller Brewing is using comparative advertising.
TRUE

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: Advertisers use comparative advertising to claim superiority to competitors in some aspect.

16. The FTC may require corrective advertising for an ad that is deemed deceptive or unfair.
TRUE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Deceptive Advertising
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: When the FTC determines that an ad is deceptive or unfair, it may take three courses of action: negotiate with the advertiser for a , issue a , and/or require *corrective advertising*.

17. NBC's stylized peacock logo is an example of a trademark.
TRUE

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

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Feedback: According to the Lanham Trademark Act (1947), a trademark is "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others."

18.When an advocacy group organizes a boycott of a company that produces unsafe products, that is an example of consumerism.
TRUE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: The consumer movement gave rise to consumerism, social action to dramatize the rights of the buying public.

19.The Nutritional Labeling and Education Act (NLEA) sets strict legal definitions for terms such as *light* and *low fat* as used in advertising food products.
TRUE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: The Nutritional Labeling and Education Act (NLEA) gave the FDA muscle by setting stringent legal definitions for terms such as *fresh*, *light*, *low fat*, and *reduced calories*.

20. Uniform newspaper advertising codes make it easy for advertisers to ensure that their ads meet all legal and ethical requirements.
FALSE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Self-Regulation of Advertising

Feedback: One problem that advertisers face is that newspapers' codes are far from uniform. Handgun ads may be prohibited by one newspaper, accepted by another if the guns are antique, and permitted by a third as long as the guns are not automatic.

21. The Better Business Bureau operates primarily at the national level and is funded by the dues of media groups.
FALSE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Deceptive Advertising

Feedback: The largest of the U.S. business-monitoring organizations is the Better Business Bureau (BBB), established in 1916. Funded by dues from more than 100,000 member companies, it operates primarily at the local level to protect consumers against fraudulent and deceptive advertising and sales practices.

22. The Better Business Bureau advances the interests of business, so it often defends agencies against charges of deceptive advertising.
FALSE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Deceptive Advertising

Feedback: The BBB operates primarily at the local level to protect consumers against fraudulent and deceptive advertising and sales practices. It often works with local law enforcement agencies to prosecute advertisers guilty of fraud and misrepresentation. Each year, the BBB investigates thousands of ads for possible violations of truth and accuracy.

23. In some cases, the Advertising Self-Regulatory Council (ASRC) is more effective than the court system in handling advertising disputes.
TRUE

AACSB: Analytic
Accessibility: Keyboard Navigation

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Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Self-Regulation of Advertising

Feedback: The ASRC is one of the most comprehensive and effective mechanisms for regulating American advertising. A U.S. district court judge noted that its "speed, informality, and modest cost," as well as its expertise, give the ASRC special advantages over the court system in resolving advertising disputes.

24. The broadcast standards department at a network or affiliated station approves and rejects commercials.
TRUE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Self-Regulation of Advertising

Feedback: Advertisers must submit all commercials intended for a network or affiliated station to its broadcast standards department. Many commercials (in script or storyboard form) are returned with suggestions for changes or greater substantiation. Some ads are rejected outright if they violate network policies.

25. Most advertisers welcome attention from consumer advocate groups because they make helpful suggestions but rarely succeed in having deceptive ads pulled.
FALSE

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Deceptive Advertising

Feedback: Today, with so many special-interest advocacy groups, even the most responsible advertisers feel challenged. To attract attention, advertising must be creative and stand out from competing noise. Yet advertisers fear attention from activists. When the protests start, the ads usually get pulled.

26. Externalities are best described as
A. social costs.
B. unseen opportunity costs.
C. factors used to increase advertising reach.
D. tangible factors that hinder communication.
E. added value.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: A society is best served by empowering people to make their own decisions and act as free agents within a system characterized by four fundamental assumptions: self-interest, many buyers and sellers, complete information, and absence of externalities (social costs).

27. Which of the following images best describes the chain reaction of economic events that takes place once a company begins to advertise?
A. the opening break shot in billiards
B. a beautiful woman entering a room full of men
C. a car slowing down as it goes uphill
D. a dart hitting the center of a bullseye
E. a line of carefully placed dominoes being knocked over

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: The economic effect of advertising is like the break shot in billiards or pool. The moment a company begins to advertise, it sets off a chain reaction of economic events that tends to be hard to predict.

28. Which of the following is a common way that advertising increases the value of a product?

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A. Advertised products meet higher quality standards than non-advertised products.
B. Advertising eliminates all perceptual barriers to purchase a product or service.
C. Advertising makes the product better known and thus more desirable.
D. Advertising usually causes the prices of products to increase significantly.
E. Advertising stresses one primary use for a product.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: While an ad may not address a product's quality directly, the positive image conveyed by advertising may imply quality. By simply making the product better known, advertising can make the product more desirable to the consumer. In this way, advertising adds value to the brand.

29. Which of the following statements about how advertising affects price is most likely true?
A. Advertising has a strong effect on the price of agricultural products, such as soybeans.
B. Advertising always increases the price of a product.
C. The consumer who buys the product pays for the advertising.
D. Advertising has had a significant impact on the prices charged by utilities.
E. The amount typically spent on advertising is large compared with the total cost of the product.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: As a cost of doing business, advertising is indeed paid for by the consumer. In most categories, though, the amount spent on advertising is very small compared with the total cost of the product. Advertising also enables manufacturers to engage in mass production, which in turn lowers the cost of products. In regulated industries (agriculture, utilities), advertising has historically had no impact on prices.

30. Which statement about how advertising affects competition is true?
A. Advertising by large firms tends to have a limited effect on small firms.
B. Most single advertisers are large enough to dominate the entire nation.
C. Advertising is highly regulated so that it does not impede competition.
D. Intense competition tends to increase the number of businesses in an industry.
E. Non-advertised products are unable to compete with advertised, branded products.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: Advertising by big companies often has only a limited effect on small businesses because a single advertiser is rarely large enough to dominate the whole country. Some believe advertising restricts competition because small companies or industry newcomers cannot compete with the immense advertising budgets of large firms. Intense advertising does tend to reduce the number of businesses in an industry. And we have seen non-advertised store brands of food compete very effectively with nationally advertised brands on the same grocery shelves.

31. Lori and Juana are going to the mall. Lori wants to buy a pair of athletic shoes, and Juana wants to buy a pair of Reebok cross-trainers. Lori illustrates _____ demand while Juana illustrates _____ demand.
A. secondary; primary
B. longitudinal; secondary
C. external; internal
D. primary; selective
E. selective; primary

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: Primary demand is demand for the entire product class. Selective demand is demand for a particular brand.

32. In declining markets, what effect does advertising have on primary demand?

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A. Advertising can turn the market around and make the product category popular again.
B. Advertising can slow the rate of product decline somewhat.
C. Advertising moves products quickly through the product life cycle.
D. Advertising helps people choose between brands by providing price information.
E. Advertising helps get new product categories off the ground by creating demand.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: In declining markets, when the only information people want is price information, advertising can influence selective demand—demand for a particular brand. But the only effect it will have on primary demand is to slow the rate of decline. Creating demand for new products is not associated with declining markets.

33. Suppose that the U.S. economy is going through a severe recession. Which of the following statements correctly describes the role of advertising expenditures in a recession?
A. There is no relationship between advertising expenditures and recessions.
B. If all businesses increased their advertising expenditures, the recession would end.
C. During a recession, advertising expenditures help businesses protect their market shares.
D. Historically, when business cycles dip, advertising expenditures increase.
E. Advertising expenditures do not affect the business cycle, according to most experts.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: Businesses that continue to invest in advertising during a recession are better able to protect, and sometimes build, market share. When business cycles are down, advertising may act as a stabilizing force by encouraging buyers to continue buying.

34. The abundance principle states that in an economy that produces more goods and services than can be consumed, advertising
A. maintains high prices across the board.
B. informs consumers of their alternatives.
C. contributes to the global waste disposal problem.
D. prevents firms from successfully competing for consumer dollars.
E. acts as a stabilizing factor during a long-term business cycle downturn.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: The abundance principle states that in an economy that produces more goods and services than can be consumed, advertising serves two important purposes. It informs consumers of their alternatives (*complete information*), and it allows companies to compete more effectively for consumer dollars (*self-interest*).

35. Which theory states that advertising allows companies to compete more effectively for consumer dollars and keeps consumers informed of their selection alternatives if the economy produces more goods and services than can be consumed?
A. abundance principle
B. macroeconomic theory of supply and demand
C. economic principle of opportunity costs
D. utilitarian principle of advertising
E. normative theory of supply and demand

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

Feedback: The abundance principle states that in an economy that produces more goods and services than can be consumed, advertising serves two important purposes. It informs consumers of their alternatives (complete information), and it allows companies to compete more effectively for consumer dollars (selfinterest).

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36. Which of the following lines from an advertisement is an example of puffery?
A. This automobile won a prestigious safety award for four yeas in a row.
B. Our new improved formula eliminates trans-fats.
C. More than three billion consumers have eaten our pies.
D. We are a full-service travel agency that will help you plan and book your vacation.
E. Sleeping on our mattress is like floating on a cloud.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

Feedback: Puffery refers to exaggerated, often subjective claims that cannot necessarily be proven true or false, such as "the best hamburger" or "the most comfortable shoe."

37. When the city of Pensacola, Florida, advertises itself as "the perfect place for the perfect Florida vacation," it is using
A. unfair advertising.
B. niche marketing.
C. deceptive advertising.
D. puffery.
E. exploitation.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

Feedback: Puffery refers exaggerated, subjective claims that cannot necessarily be proven true or false.

38. Under current law, the only product claims that are considered deceptive are those that
A. unjustifiably injure the consumer.
B. contain inadequate information.
C. violate public policy.
D. are factually false.
E. use subliminal images.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Deceptive Advertising
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: Under current advertising law, the only product claims—explicit or implied—that are considered deceptive are those that are factually false or convey a false impression and therefore have the potential to deceive or mislead reasonable people.

39. Which of the following statements about deceptive advertising is true?
A. To be deceptive, advertising claims must be factually false or convey a false impression.
B. Deceptive advertising is sometimes used because it establishes long-term consumer confidence in the product being advertised.
C. To be labeled as deceptive, ads must contain some claims that have not been previously substantiated.
D. Deceptive ads serve the best interests of the advertisers.
E. Exaggerated, subjective claims that cannot be proven true or false are considered deceptive advertising.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Deceptive Advertising

Feedback: Under current advertising law, the only product claims—explicit or implied—that are considered deceptive are those that arefactually false or convey a false impression and therefore have the potential to deceive or mislead reasonable people. Puffery (exaggerated, subjective claims that cannot be proven true or false) is excluded from this requirement because regulators believe that reasonable people will not believe it anyway.

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40. Which of the following would be an example of subliminal advertising?
A. choosing ethnically diverse actors for a commercial that will appear in urban areas
B. relying on gender role stereotypes in an advertisement
C. airbrushing naked figures into ice cubes in a liquor ad
D. repeating a slogan frequently to embed it in consumers' minds
E. using puffery instead of factual claims that can be substantiated

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

Feedback: Wilson Bryan Key promotes the notion that, to seduce consumers, advertisers create ads with sexual messages hidden in the illustrations. He calls this subliminal advertising. His premise is that by embedding dirty words in the ice cubes in a liquor ad, for instance, advertisers can make us want to buy the product. No study has proven that this is actually done.

41. According to Wilson Bryan Key, subliminal advertising
A. works by creating a need for previously unsought products.
B. involves providing an incomplete amount of information to consumers.
C. relies on embedded messages that seduce consumers into making purchases.
D. degrades people's value systems by promoting materialism and hedonism.
E. results in a normative demand cycle for most mature products and services.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

Feedback: Wilson Bryan Key promotes the notion that, to seduce consumers, advertisers create ads with sexual messages hidden in the illustrations. He calls this subliminal advertising. His premise is that by embedding dirty words in the ice cubes in a liquor ad, for instance, advertisers can make us want to buy the product. No study has proven that this is actually done.

42. Which of the following statements about the social impact of advertising is true?
A. While consumers believe there is a potential for too much advertising, most advertisers disagree.
B. Most people tolerate ad clutter as the price for free TV and an information-rich Internet.
C. The FCC has imposed no restraints on advertising clutter in any media.
D. The social impact of advertising is purely a consumer misperception.
E. The social impact of advertising has been decreasing in the 21st century.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

Feedback: While the clutter problem is irksome to viewers and advertisers alike, most people tolerate it as the price for free TV, an information-rich Internet, and a high standard of living.

43. According to the owner of NPC & Associates, Maryland's largest African American-owned ad agency, "If you were to come from another planet and watch American television, you would think that all black people did was play basketball and hang out on street corners and do rap music." The speaker is most likely accusing advertising of
A. making consumers too materialistic.
B. being excessive.
C. manipulating people into buying things they do not need.
D. being deliberately deceptive.
E. perpetuating stereotypes.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
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Feedback: Advertising has long been criticized for insensitivity to minorities, women, immigrants, persons with disabilities, the elderly, and other groups. Marketing and advertising practitioners sometimes lose touch with the very people they are trying to reach.

44. Ever since the Napoleonic Wars, the British have used the derogatory term *frogs* to refer to the French. When the London-based Institute Français advertised French-language courses at all levels from beginners to advanced students, it pictured the development of a frog in stages from egg through tadpole to full maturity. This would be an example of
A. deliberate deception.
B. advertising manipulation.
C. faux marketing.
D. stereotype perpetuation.
E. cultural puffery.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

Feedback: The ad is perpetuating the negative image of the French people as frogs.

45. With respect to offensiveness in advertising, Abercrombie & Fitch ads have frequently been criticized for using overly sexualized imagery. Experts would most likely agree that the ultimate regulator of such ads is the fact that
A. universal laws completely control this form of advertising.
B. moral standards are higher for clothing manufacturers than other companies.
C. trends and personal tastes are objective and quantifiable metrics.
D. such companies tend to lose money and shift their marketing strategies.
E. the marketplace has the ultimate veto power on the success or failure of such ads.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

Feedback: Ultimately, the marketplace has veto power. If ads do not pull in the audience, the campaign will falter and die.

46. _____ means doing what the advertiser and the advertiser's peers believe is morally right in a given situation.
A. Principled advertising
B. Situational advertising
C. Truth-in-advertising
D. Ethical advertising
E. Responsible advertising

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Explain the difference between social responsibility and ethics in advertising.
Topic: Ethical Considerations in Advertising, Promotion, and IMC Campaigns

Feedback: Ethical advertising means doing what the advertiser and the advertiser's peers believe is morally right in a given situation.

47. Socially responsible advertisers
A. are mindful of the need for open communication.
B. do what the government wants and requires.
C. do what society views as best for the welfare of people in general.
D. do what ethical societies have prescribed for businesses.
E. realize their primary responsibility is to increase profits.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Explain the difference between social responsibility and ethics in advertising.
Topic: Ethical Considerations in Advertising, Promotion, and IMC Campaigns

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Feedback: Social responsibility means doing what society or some group views as best for the welfare of people in general or for a specific community of people.

48. Nike's Air Jordan XX3, the 23rd edition of the series of shoes endorsed by retired basketball star Michael Jordan, differs from its predecessors because it is the first basketball shoe shaped by what Nike calls "Nike Considered," an approach to design that favors environmentally preferable materials, reduces toxic chemicals, and curbs waste. By adopting such environmentally supportive standards to make its products, Nike is
A. manipulating the consumer.
B. behaving in a socially responsible fashion.
C. perpetuating a materialistic viewpoint.
D. complying with federal regulations.
E. initiating a market development strategy.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-03 Explain the difference between social responsibility and ethics in advertising.
Topic: Ethical Considerations in Advertising, Promotion, and IMC Campaigns

Feedback: The firm is helping to better society. Like any good neighbor, the business community has responsibilities: to keep its property clean, participate in civic events, support local enterprises, and improve the community.

49. Which of the following is a method advertisers use to show their social responsibility?
A. refraining from the use of advertising clutter
B. providing *pro bono* work to nonprofit groups
C. obeying most FTC regulations
D. creating markets for new products
E. joining self-regulatory agencies

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Explain the difference between social responsibility and ethics in advertising.
Topic: Ethical Considerations in Advertising, Promotion, and IMC Campaigns

Feedback: These organizations provide thousands of hours and millions of dollars' worth of *pro bono* (free) work to charitable causes. They also provide scholarships and internships, contributions that serve the whole society.

50. How has the U.S. Supreme Court intervened in the rights of advertisers under the First Amendment?
A. It has supported the ban against professional advertising.
B. It has established strict control over packaged-goods advertising.
C. It has banned all cigarette advertisements from broadcast media.
D. It has offered significant protection for truthful commercial speech.
E. It has made social responsibility mandatory for publicly traded firms.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: The Supreme Court has distinguished between "speech" and "commercial speech" (speech that promotes a commercial transaction). But decisions over the last two decades suggest that truthful commercial speech is also entitled to significant, if not full, protection under the First Amendment.

51. To promote responsible children's advertising and to respond to public concerns, the Council of Better Business Bureaus established the
A. Children's Protection Agency (CPA).
B. Children's Advertising Review Unit (CARU).
C. Children's Board of Information.
D. Board of Advertising Review.
E. Code for Ethical Children's Advertising (CECA).

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember

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Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: To promote responsible children's advertising and to respond to public concerns, the Council of Better Business Bureaus established the Children's Advertising Review Unit (CARU).

52. Which of the following statements about consumer privacy issues is most likely true?
A. Consumers lack any capabilities or tools to limit the personal information gathered about them on the Internet.
B. According to the Fair Information Practice Principles, Internet companies must clearly post their privacy policies.
C. Disabling cookies has no impact on consumers' ability to access the Internet.
D. According to the Fair Information Practice Principles, consumers cannot access information collected about them on Internet sites.
E. When Internet users "opt in," they relinquish their ability to set terms under which they give personal information.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: Consumers can disable the cookies on their computers, but this may limit their Internet access because some sites *require* the use of cookies. Internet surfers also have the option to "opt in." This feature allows users to set the terms under which they give personal information. The "Fair Information Practice Principles" consist of five core elements, including *notice*, which requires that the website clearly post its privacy policy, and *access*, the ability for consumers to access information collected about them and make amendments to it.

53. The Federal Trade Commission (FTC) regulates the marketplace by
A. eliminating practices that are deceptive or unfair.
B. reducing the number of sellers in the marketplace.
C. enforcing state consumer protection laws.
D. expanding externalities in the marketing process.
E. limiting the information that is provided to consumers.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Deceptive Advertising
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: The commission enforces a variety of federal antitrust and consumer protection laws and works to regulate the marketplace by eliminating acts or practices that are deceptive or unfair. In other words, it is the FTC's responsibility to maintain the existence of many sellers in the marketplace, to provide more complete information to consumers, and to keep the marketing process as free of externalities as possible.

54. The FTC defines _____ as any ad that contains a misrepresentation, omission, or other practice that can mislead a significant number of reasonable consumers to their detriment.
A. *pro bono* advertising
B. faux marketing
C. unfair advertising
D. deceptive advertising
E. subliminal advertising

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Deceptive Advertising
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: The FTC defines deceptive advertising as any ad that contains a misrepresentation, omission, or any other practice that can mislead a significant number of reasonable consumers to their detriment.

55. Olive oil is usually advertised using terms such as "pure olive oil" and "extra virgin," a phrase that denotes the highest grade of olive oil. However, studies have shown that olive oil is one of the most adulterated products on the market. Many of the oils sold in grocery stores are of lower quality than advertised or, even worse, are diluted with other products such as sunflower oil. Olive oil producers who claim to sell extra virgin, pure olive oil but really provide an impure product have engaged in
A. puffery.
B. *pro bono* advertising.
C. deceptive advertising.

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D. unfair advertising.
E. subliminal advertising.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: The FTC defines deceptive advertising as any ad that contains a misrepresentation, omission, or other practice that can mislead a significant number of reasonable consumers to their detriment.

56. A government agency in the United Kingdom reprimanded Safeway, a UK-based supermarket chain, because it distributed a leaflet titled "More reasons to shop at Morrisons." (Morrisons is one of Safeway's primary competitors in the UK). In the leaflet, Safeway depicted two shopping receipts, one for Safeway and one for Morrisons. The Safeway receipt claimed goods purchased at Safeway were much cheaper than the same goods purchased at Morrisons. Morrisons said that the goods on the imaginary receipt were not typical purchases and that the reason they were cheaper on the Safeway receipt was that the goods were on sale in the Safeway store. The FTC would have most likely found Safeway guilty of
A. puffery.
B. *pro bono* advertising.
C. deceptive advertising.
D. an ethical dilemma.
E. non-competitive advertising.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: The FTC defines deceptive advertising as any ad that contains a misrepresentation, omission, or other practice that can mislead a significant number of reasonable consumers to their detriment.

57. _____ advertising occurs when a consumer is "unjustifiably injured" or there is a "violation of public policy."
A. Deceptive
B. Corrective
C. Unfair
D. *Pro bono*
E. Comparative

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: Unfair advertising occurs when a consumer is "unjustifiably injured" or there is a "violation of public policy" (such as of government statutes).

58. A complaint was filed with the Federal Trade Commission (FTC) that accused the film industry of regularly advertising R-rated movies during television shows most popular with children. The FTC most likely investigated to see if the film industry was guilty of
A. corrective advertising.
B. unfair advertising.
C. deceptive advertising.
D. false demonstrations.
E. partial disclosure.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: Unfair advertising occurs when a consumer is "unjustly injured" or there is a "violation of public policy" (such as other government statues). Practices considered unfair are claims made without prior substantiation, claims that exploit vulnerable groups such as children and older adults, and cases where the consumer cannot make a valid choice because the advertiser leaves out important information about the product or competitors

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mentioned in the ad.

59. Verizon, a provider of cell phone service, frequently runs TV ads that feature a series of maps. One map shows how much of the country is covered by Verizon's service. The other maps show how much of the country is covered by Verizon's major competitors. These commercials are an example of
A. corrective advertising.
B. unfair advertising.
C. comparative advertising.
D. testimonial advertising.
E. segmented-market advertising.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: Advertisers use comparative advertising to claim superiority to competitors in some aspect.

60. Television commercials for Progressive Insurance often list Progressive's rates next to the rates of other major insurance companies. This is an example of _____ advertising.
A. corrective
B. deceptive
C. comparative
D. consumerist
E. unfair

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: Advertisers use comparative advertising to claim superiority over competitors in some aspect.

61. Adolph Coors Co. ran an ad that featured a purported taste test between Coors's Aspen Edge and Anheuser-Busch's Michelob Ultra. A taste tester downed a glass of Aspen Edge and took only a sip of Michelob Ultra. A print version of the ad said, "Beer drinkers agree that Aspen Edge has more taste than Michelob Ultra." Coors was forced to remove the television advertisements after Anheuser-Busch said it made unsubstantiated claims about consumer preferences. Anheuser-Busch most likely
A. asserted that Coors used bait-and-switch offers with consumers.
B. accused Coors of violating copyright and trademark laws.
C. relied on laws designed to protect against gray marketing.
D. wanted research data that supported Coors's claim.
E. issued an unsupported cease-and-desist order.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: Under current law, any advertiser that misrepresents its own or another firm's goods, services, or activities is vulnerable to a civil action. In addition to being truthful, comparative ads must compare on some objectively measurable characteristic. And the greatest scrutiny must be given to the substantiation. Given the potential for sizable damages—up to millions of dollars—the greatest care must be exercised in this area.

62. Two companies, Le Shuttle and P&O European Ferries, provide Europeans with the ability to cross the English Channel. An advertisement for Le Shuttle claimed it was more popular with travelers than P&O European Ferries. P&O European Ferries lodged an objection with a European regulatory agency and pointed out that it had carried 1.4 million cars in the previous year compared to Le Shuttle's 1 million. P&O European Ferries most likely wanted Le Shuttle to run _____ advertising.

A. corrective
B. professional
C. comparative
D. reparative
E. *pro bono*

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Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: Corrective advertising is required to explain and correct offending or misleading ads.

63. When Mei looked at her can of paint remover, she saw a notice that read, "Use in a well-ventilated place. Avoid inhaling the fumes from this product, which can damage the lungs and the nervous system." Which term best describes this label information?
A. cease-and-desist warning
B. customer testimonial
C. nutritional claim
D. consent decree
E. affirmative disclosure

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: Advertisers must make affirmative disclosure of their product's limitations or deficiencies, such as EPA mileage ratings for cars, pesticide warnings, and statements that saccharin may be hazardous to one's health.

64. When the Federal Trade Commission determines that an ad is deceptive or unfair, it can
A. require the advertiser to run *pro bono* advertising for competitors.
B. convince the advertiser to sign a consent decree.
C. require the advertiser to reimburse consumers who bought the product.
D. force the firm that ran the deceptive ad to get "advance clearance" on all future ad campaigns.
E. place a federal representative in the deceptive firm's advertising department to oversee future ad campaigns.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Deceptive Advertising
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: When the FTC determines that an ad is deceptive or unfair, it may take three courses of action: negotiate with the advertiser for a consent decree, issue a cease-and-desist order, and/or require corrective advertising. A consent decree is a document the advertiser signs agreeing to stop the objectionable advertising without admitting any wrongdoing.

65. An advertiser accused of deceptive or unfair advertising may sign a(n) _____, which is a document that states that the advertiser agrees to stop the objectionable advertising, but does not admit to any wrongdoing.
A. consent decree
B. product substantiation claim
C. cessation order
D. ad sanctioning agreement
E. guilt disclosure

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: A consent decree is a document the advertiser signs agreeing to stop the objectionable advertising without admitting any wrongdoing.

66. Which of the following statements is true about cease-and-desist orders?
A. They are voluntary statements without legal ramification.
B. They require that the FTC monitor future ad campaigns.
C. They prohibit further use of the offending advertisement.
D. They prohibit any kind of advertisement by the offending company.
E. They are issued by the Better Business Bureau and enforced by the FTC.

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AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: If an advertiser will not sign a consent decree, the FTC may issue a cease-and-desist order prohibiting further use of the ad.

67. The Federal Trade Commission has filed a complaint against Provide Commerce, the parent company of Pro-Flowers, for "false and misleading" advertising. Pro-Flowers claims that it ships inventory "directly from the fields." The ads imply that the flowers are not picked until they are ordered. Pro Flowers actually stores flowers in refrigerated warehouses and ships from these warehouses. The FTC can most likely order Pro-Flowers to run _____ and inform its customers that its flowers do not come fresh from the field.
A. substantiated advertisements
B. corrective advertisements
C. cease-desist orders
D. consent orders
E. comparative advertisements

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: The FTC may require corrective advertising for some period of time to explain and correct offending ads.

68. Which of the following statements about the Food and Drug Administration (FDA) is true?
A. The FDA has authority over the labeling of cosmetics, drugs, and vitamin supplements.
B. The FDA monitors all copyrighted material published in the United States and abroad.
C. The FDA does not require health food manufacturers to list product ingredients on labels.
D. The FDA has no control over promotional statements that are included on package labels.
E. The FDA is a branch of the Federal Trade Commission (FTC) and under its jurisdiction.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: The Food and Drug Administration (FDA) is authorized by Congress to enforce the Federal Food, Drug, and Cosmetic Act and several other health laws. The agency monitors the manufacture, import, transport, storage, and sale of more than $1 trillion worth of products annually.

69. Which federal agency would have the authority to deal with the fact that a brand of hotdog marked "low fat" contains only 10 percent less fat than regular hotdogs?
A. the Library of Congress
B. the Patent and Trademark Office
C. the Food and Drug Administration
D. the Office of Consumer Affairs Service
E. the Federal Communications Commission

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: The Nutrition, Labeling, and Education Act (NLEA) gives the FDA muscle by setting stringent legal definitions for terms such as *fresh*, *light*, *low fat*, and *reduced calories*.

70. A magazine ad states, "Oral-B Professional Care 8850 rechargeable toothbrush removes up to 97% of plaque from hard-to-reach areas." Which federal agency would have the authority to determine if this claim was correct?
A. the Library of Congress
B. the Patent and Trademark Office
C. the Food and Drug Administration
D. the Office of Consumer Affairs

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E. the Federal Communications Commission

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Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: It is the FDA's job to see that the food we eat, the cosmetics we use, and the therapeutic devices we buy are safe and effective. The FDA requires manufacturers to disclose all ingredients on product labels, in in-store product advertising, and in product literature.

71. The _____ has indirect control over advertising through its authority to license or revoke the license of all broadcasting stations.
A. Federal Trade Commission
B. Federal Communications Commission
C. Better Business Bureau
D. Advertising Self-Regulatory Council
E. Office of Consumer Affairs

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: The seven-member Federal Communications Commission (FCC) is an independent federal agency with jurisdiction over the radio, television, phone, satellite and cable TV industries, and the Internet. Its control over broadcast advertising stems from its authority to license broadcasters (or take away their licenses).

72. Through the issuance of _____, the government provides incentives to invent, invest in, and disclose new technology.
A. trademarks
B. copyrights
C. patents
D. venture capital
E. differential advantages

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: Through the issuance of patents, the government provides incentives to invent, invest in, and disclose new technology.

73. A trademark
A. is any word, name, or symbol that identifies one particular product or line of products from a single source.
B. protects the original work of authors and artists from being sold or plagiarized without their consent.
C. is required by law to be significantly different from the logo of an organization.
D. is registered and protected by the Library of Congress.
E. grants exclusive rights to sell a product for 50 years.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: According to the Lanham Trademark Act (1947), a trademark is "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others."

74. Latisha just wrote her first novel, a steampunk science fantasy for young adults. Which of the following protects Latisha's work?
A. patent
B. trademark
C. copyright
D. cease-and-desist order
E. title registration

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AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: A copyright is a form of protection provided to the authors of "original works of authorship," including literary, dramatic, musical, artistic, and certain other "intellectual works."

75. Much of the state legislation that deals with advertising is based on the
A. U.S. Chamber of Commerce handbook.
B. self-regulation codes of advertising organizations.
C. "truth-in-advertising" model developed by *Printer's Ink*.
D. U.S. Supreme court's "code of commercial speech."
E. federal government's "General Code of Advertising Ethics."

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

Feedback: State legislation governing advertising is often based on the truth-in-advertising model statute developed in 1911 by , for many years the major trade publication of the industry.

76. Which of the following is the largest of the U.S. business-monitoring organizations?
A. the Office of Consumer Affairs
B. the Better Business Bureau
C. the Consumer Protection Agency
D. the American Association of Consumers
E. the U.S. Chamber of Commerce

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Self-Regulation of Advertising

Feedback: The largest of the U.S. business-monitoring organizations is the Better Business Bureau (BBB), which was established in 1916.

77. The primary purpose of the Advertising Self-Regulatory Council is to
A. promote and enforce standards of truth, accuracy, taste, morality, and social responsibility in advertising.
B. supplant the Federal Trade Commission as the chief advertising regulatory agency.
C. work with the Department of Justice to prevent any one company from monopolizing a particular medium.
D. set up and maintain a consumer review board to approve all advertising.
E. promote the benefits of advertising to its critics.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Self-Regulation of Advertising

Feedback: ASRC's primary purpose is to promote and enforce standards of truth, accuracy, taste, morality, and social responsibility in advertising.

78. The National Advertising Division (NAD) of the Advertising Self-Regulatory Council (ASRC)
A. promotes the benefits of advertising to the Better Business Bureau and other major critics.
B. serves as the appeal board for decisions made by the National Advertising Review Board.
C. monitors advertising practices and reviews complaints about advertising from consumers.
D. sets up and maintains an all-consumer review board to evaluate all advertising.
E. guides new businesses in the development of ethical advertising codes.

AACSB: Analytic

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Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Self-Regulation of Advertising

Feedback: The ASRC has two operating arms: the National Advertising Division (NAD) of the Council of Better Business Bureaus and the National Advertising Review Board (NARB). The NAD monitors advertising practices and reviews complaints about advertising from consumers and consumer groups, brand competitors, local Better Business Bureaus, trade associations, and others. The appeals board for NAD decisions is the NARB, which consists of a chairperson and 70 volunteer members (40 national advertisers, 20 agency representatives, and 10 laypeople).

79. *Good Housekeeping* magazine places its "Seal of Approval" on all the products advertised in it. If any of the products are later found to be defective, *Good Housekeeping* promises to refund the money paid for the products. This kind of careful screening
A. is required by the Federal Trade Commission.
B. is a way for a medium to monitor its advertisements.
C. was required by legislation passed during the Great Depression.
D. is used by most print media, including the tabloids.
E. is redundant given the watchfulness of federal regulatory agencies.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Self-Regulation of Advertising

Feedback: Almost all media companies review ads and reject material they regard as objectionable, even if it is not deceptive.

80. Consumer advocate groups are most likely to
A. create communication barriers that make it difficult for advertisers to reach consumers.
B. investigate advertising complaints received from the public.
C. issue trademarks and copyrights.
D. sponsor competitor boycotts.
E. substantiate ads.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Deceptive Advertising

Feedback: Consumer advocate groups investigate advertising complaints received from the public and those that grow out of their own research.

81. Distinguish between primary demand and selective demand by giving an example of each.

Primary demand is consumer demand for a whole product category. Selective demand is consumer demand for the particular advantages of one brand over another. Students' examples will vary. For example, the demand for hamburgers is a primary demand. The demand for Burger King's "flame-broiled" Whoppers rather than some other brand is an example of selective demand.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

82. What are externalities, and how does advertising sometimes create them?

Externalities are social costs. Sometimes an advertisement can have unintended negative social consequences. For example, an advertiser may use sexualized imagery to appeal to the young adult segment of the market, but end up angering parents who do not want their children exposed to inappropriate material. In other cases, advertisers may use stereotypes because they are easy and familiar, but end up unintentionally supporting racism or sexism.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

83. Define the term *stereotypes* in advertising.

Stereotypes are negative or limiting preconceived beliefs about a type of person or a group of people that do not take into account individual differences.

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AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: Social Criticisms of Advertising

84. What is ethical advertising?

Ethical advertising means doing what the advertiser and the advertiser's peers believe is morally right in a given situation.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Explain the difference between social responsibility and ethics in advertising.
Topic: Ethical Considerations in Advertising, Promotion, and IMC Campaigns

85. What kinds of information does the Federal Trade Commission (FTC) look for in an investigation of a complaint about an advertiser?

Typically, the FTC looks for three kinds of information: 1. substantiation (evidence that backs up advertising claims); 2. endorsements (the use of satisfied customers or celebrities to approve the product); and 3. affirmative disclosures (statements that reveal the product's limitations or deficiencies).

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

86. Discuss in brief the role of the Nutritional Labeling and Education Act (NLEA).

The NLEA gave the FDA muscle by setting stringent legal definitions for terms such as , , , and . It also sets standard serving sizes and requires labels to show food value for one serving alongside the total recommended daily value as established by the National Research Council.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

87. What is a trademark? Give an example of a trademark.

According to the Lanham Trademark Act (1947), a trademark is "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others." Students' examples will vary. The Coca-Cola ribbon and the Nike swoosh are examples.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

88. How does the Federal Communication Commission help regulate advertising?

The seven-member Federal Communications Commission (FCC) is an independent federal agency with jurisdiction over the radio, television, phone, satellite and cable TV industries, and the Internet. Its control over broadcast advertising stems from its authority to license broadcasters (or take away their licenses). The FCC can restrict both the products advertised and the content of ads. For example, the FCC required stations to run commercials about the harmful effects of smoking even before Congress banned cigarette advertising on TV and radio.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

89. What is the function of most city and county consumer protection agencies?

They enforce laws regulating local advertising practices. The chief function of these agencies is to protect local consumers against unfair and misleading practices by area merchants.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

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90. What is consumerism?

The consumer movement gave rise to consumerism, which is social action to dramatize the rights of the buying public.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Deceptive Advertising

91. Explain in brief the effect of advertisements on consumers and businesses.

The question of advertising's effect on consumer demand is complex. Studies show that promotional activity does affect aggregate consumption, but they disagree as to the extent of its influence. For example, the demand for tablets, smartphones, and laptop computers expanded at a tremendous rate, thanks in part to advertising but more to favorable market conditions. At the same time, advertising has not reversed declining sales of such items as hats, fur coats, and print newspapers.

AACSB: Analytic
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

92. What does the abundance principle state?

The abundance principle states that in an economy that produces more goods and services than can be consumed, advertising serves two important purposes: It keeps consumers informed of their alternatives (complete information), and it allows companies to compete more effectively for consumer dollars(self-interest).

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: Economic Role of Advertising

93. Explain the difference between social responsibility and ethics in advertising.

Ethical advertising means doing what the advertiser and the advertiser's peers believe is morally right in a given situation. Social responsibility means doing what society or some group views as best for the welfare of people in general or for a specific community of people.

AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Explain the difference between social responsibility and ethics in advertising.
Topic: Ethical Considerations in Advertising, Promotion, and IMC Campaigns

94. What are the four parts of the *Central Hudson* test?

The *Central Hudson* test includes the following four parts: 1) Does the commercial speech at issue concern a lawful activity? 2) Does the restriction of commercial speech serve the asserted government interest substantially? 3) Does the regulation directly advance the government interest asserted? 4) Is the restriction no more than necessary to further the interest asserted?

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

95. List out the elements of Fair Information Practice Principles.

The "Fair Information Practice Principles" consist of five core elements: 1) Notice, which requires that the website clearly post its privacy policy. 2) Choice, which relates to consumers' level of control over being profiled and how their information is used. 3) Access, the ability for consumers to access information collected about them and make amendments to it. 4) Security, which requires that network advertisers make reasonable efforts to protect the data they collect from loss, misuse, or improper access. 5) Enforcement, a requirement that all industry members subject themselves to monitoring by an independent third party to ensure compliance with the Fair Information Practice Principles.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

96. Distinguish between deceptive advertising and unfair advertising.

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The FTC defines deceptive advertising as any ad that contains a misrepresentation, omission, or other practice that can mislead a significant number of reasonable consumers to their detriment. Unfair advertising occurs when a consumer is "unjustifiably injured" or there is a "violation of public policy" (such as other government statutes).

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Deceptive Advertising
Topic: The Role of Government Agencies in the Regulation of Advertising

97. In terms of advertising, what are the roles and the responsibilities of the Federal Trade Commission (FTC)?

The Federal Trade Commission (FTC) is the major regulator of advertising. Established by an act of Congress, the FTC is charged with ensuring "that the nation's markets function competitively, and are vigorous, efficient, and free of undue restrictions." The commission enforces a variety of federal antitrust and consumer protection laws and works to regulate the marketplace by eliminating acts or practices that are deceptive or unfair. It is the FTC's responsibility to maintain the existence of many sellers in the marketplace, to strive to provide more complete information to consumers, and to keep the marketing process as free of externalities as possible.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

98. Define comparative advertising, and describe how the FTC controls its misuse.

Comparative advertising is advertising that claims superiority to competitors in some aspect. In addition to being truthful, comparative ads must compare on some objectively measurable characteristic. Under current law, any advertiser that misrepresents its own or another firm's goods, services, or activities is vulnerable to a civil action.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

99. List and explain briefly the three courses of action open to the Federal Trade Commission (FTC) once it has determined an ad is deceptive or unfair.
When the FTC determines that an ad is deceptive or unfair, it may take three courses of action: negotiate with the advertiser for a consent decree, issue a cease-and-desist order, and/or require corrective advertising. A consent decree is a document the advertiser signs agreeing to stop the objectionable advertising without admitting any wrongdoing. If an advertiser refuses to sign a consent decree, the FTC may issue a cease-and-desist order prohibiting further use of the ad. The FTC may also require corrective advertising for some period of time to explain and correct offending ads.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: The Role of Government Agencies in the Regulation of Advertising

100. What are the two operating arms of the Advertising Self-Regulatory Council (ASRC)? Briefly explain the function of each.

The ASRC has two operating arms: the National Advertising Division (NAD) of the Council of Better Business Bureaus and the National Advertising Review Board (NARB). The NAD monitors advertising practices and reviews complaints about advertising from consumers and consumer groups, brand competitors, local Better Business Bureaus, trade associations, and others. The appeals board for NAD decisions is the NARB, which consists of a chairperson and 70 volunteer members (40 national advertisers, 20 agency representatives, and 10 laypeople).

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Discuss the activities of nongovernment organizations in fighting fraudulent and deceptive advertising.
Topic: Self-Regulation of Advertising

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