Chapter 02

The Environment of Advertising

True / False Questions

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

   True False

2. Advertising adds value to a brand by educating customers about new uses for a product.

   True False

3. Intense competition rarely reduces the number of businesses in an industry.

   True False

4. The importance of advertising is best demonstrated by the iceberg principle.

   True False

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 False

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

   True False

7. Critics argue there is too much advertising due to the proliferation of new media.

   True False

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

   True False

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

   True False

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

    True   False

11. The U.S. Supreme Court does not differentiate between "speech" and "commercial speech."

    True   False

12. While most children and parents are still joint consumers, more and more children are becoming sole decision makers.

    True   False

13. The uniform nature of advertising regulation in the U.S. ensures that advertisers understand what is required to comply with regulations.

    True   False

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

    True   False

15. When State Farm insurance uses advertising to show that it has lower rates than Progressive insurance, it is using comparative advertising.

    True   False

16. The FTC can request a company to use corrective advertising, but it may not legally require a company to do so.

    True   False

17. The big cursive G that appears in all ads for General Mills cereals is an example of a trademark.

    True   False

18. The chief function of the consumer protection agencies found in many cities and counties is to act as a watchdog for federal regulators.
    Many cities and counties also have consumer protection agencies to 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.

    True   False

19. The NLEA sets strict legal definitions for terms such as *light* and *low fat* as used in advertising food products. The Nutritional Labeling and Education Act (NLEA), which went into effect in 1994, gave the FDA additional muscle by setting stringent legal definitions for terms such as *fresh*, *light*, *low fat*, and *reduced calories*.

    True   False

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

    True   False

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

True False

22. The Better Business Bureau investigates advertisements for possible violations of accuracy, and it works with law enforcement to prosecute fraudulent advertisers.

True False

23. One of the most effective tools for regulating American advertising is the Advertising Self-Regulatory Council. In some cases, the ASRC is more effective than the court system in handling advertising disputes.

True False

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

True False

25. Most advertisers appreciate attention from consumer advocate groups, which rarely succeed in having ads pulled.

True False

Multiple Choice Questions

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. inexpensive ways to increase perceptual value to a product.

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
C. A car speeding up as it goes downhill
D. A dart hitting the center of a bull's eye
E. A line of dominoes being knocked over

28. How does advertising most likely affect the value of a product?

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 educates customers about new uses for a product.
D. Advertising provides a predictable increase in product sales.
E. Advertising decreases both competition and prices.

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—never lowers it.
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 total sales.

30. Which statement about how advertising affects competition is most likely 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.

31. Mike and Lou are going to the mall. Mike wants to buy a pair of jeans and Lou wants to buy a pair of Levi boot-cut jeans. Mike illustrates _____ demand while Lou illustrates _____ demand.

A. secondary; kinked
B. longitudinal; circular
C. external; internal
D. primary; selective
E. selective; primary

32. What effect does advertising have on consumer demand?

A. Advertising creates trade barriers.
B. Advertising slows the rate of product decline.
C. Advertising moves products quickly through the product life cycle.
D. Advertising slows the adoption process and lengthens the product life cycle.
E. Advertising hinders the development of new products and decreases consumer demand.

33. Which of the following statements about the effects of advertising on the business cycle is most likely true?

A. The increased advertising expenditures that occur during business cycle dips always produce an increase in personal consumption expenditures.
B. The effect of advertising on business cycles is easily determined and monitored.
C. When business cycles are down, advertising may act as a stabilizing force.
D. Historically, when business cycles dip, advertising expenditures increase.
E. Advertising does not affect the business cycle according to most experts.

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. keeps consumers informed 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.

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 normalization
D. Utilitarian principle of advertising
E. Normative theory of supply and demand

36. _____ refers to exaggerated, subjective advertising claims that can't be proven true or false.

A. Misleading advertising
B. Hyperbole
C. Advertising manipulation
D. Exploitative advertising
E. Puffery

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.

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.

39. Which of the following statements is most likely true about deceptive advertising?

A. Puffery can be called deceptive advertising when reasonable people believe it to be true.
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 which have not been previously substantiated.
D. Deceptive ads serve the best interests of the advertisers.
E. There are no regulations governing deceptive advertising.

40. The basic premise of ______ is that advertisers intentionally create ads with sexual messages that are hidden in the illustrations.

A. suggestive selling
B. hidden attribution communication
C. subliminal advertising
D. periliminal communication
E. faux marketing

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.

42. Which of the following statements about The Social Impact Of Advertising is most likely 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 plateaued.

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 don‘t need.
D. being deliberately deceptive.
E. perpetuating stereotypes.

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 malfeasance.

45. With respect to offensiveness in advertising, Benetton ads frequently come under attack for the usage of nudity and sexual innuendo. 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 overseas than in the United States.
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.

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

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 provide the greatest good for the largest number 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.

49. How do advertisers most likely show their social responsibility?

A. By refraining from the use of advertising clutter
B. By providing *pro bono* work to nonprofit groups
C. By obeying most FTC regulations
D. By creating markets for new products
E. By joining self-regulatory agencies

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 the broadcast media.
D. It has offered significant protection for truthful commercial speech.
E. It has made social responsibility mandatory for publicly traded firms.

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).

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. Most Internet users believe that tracking customer Internet usage is helpful and not harmful.
D. The Federal Communications Commission regulates consumer privacy rights.
E. Enabling cookies helps Internet users to safeguard their personal information.

53. The Federal Trade Commission (FTC) regulates:

A. advertising for products sold in interstate commerce.
B. marketing of hazardous products and services.
C. food and alcohol safety.
D. packaged food products and their labels.
E. the television and radio industries.

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. hazardous IMC
B. faux marketing
C. unfair advertising
D. deceptive advertising
E. subversive advertising

55. U.S. Caviar ran ads in an onboard American Airlines magazine offering real Russian caviar at substantially lower prices than it typically sold for. Later, FTC investigators determined that the caviar U.S. Caviar was selling as exotic Russian caviar was produced in the U.S. and was actually overpriced given its quality. U.S. Caviar most likely engaged in:

A. puffery.
B. unethical advertising.
C. deceptive advertising.
D. an ethical dilemma.
E. anti-competitive advertising.

56. Safeway, a U.K.-based supermarket chain, was reprimanded by a government agency in the United Kingdom because it distributed a leaflet titled "More reasons NOT to shop at Morrisons." (Morrisons is one of Safeway's primary competitors in the U.K.). 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 because the goods were on sale in the Safeway store. The FTC would have most likely found Safeway guilty of:

A. puffery.
B. unethical advertising.
C. deceptive advertising.
D. an ethical dilemma.
E. non-competitive advertising.

57. _____ advertising occurs when a consumer is "unjustifiably injured" or there is a "violation of public policy."

A. Deceptive
B. Corrective
C. Unfair
D. Hazardous
E. Injurious

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. hazardous advertising.
B. unfair advertising.
C. deceptive advertising.
D. false demonstrations.
E. partial disclosure.

59. Adolph Coors Co. ran an ad which featured a purported taste test between 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." This ad is an example of _____ advertising.

A. corrective
B. professional
C. comparative
D. cease-desist
E. consent

60. 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. This is an example of _____ advertising.

A. corrective
B. professional
C. comparative
D. cease-desist
E. consent

61. Adolph Coors Co. ran an ad which 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.

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 they had carried 1. 4 million cars in the previous year compared to only 1 million on Le Shuttle. P&O European Ferries most likely wanted Le Shuttle to run _____ advertising.

A. corrective
B. professional
C. comparative
D. cease-desist
E. consensual

63. When Grace looked at the container of Round-Up weed and grass killer, she saw a notice that read, "Avoid contact with eyes. This product can cause eye irritation." Which term best describes this label information?

A. Package requirement
B. Customer testimonial
C. Nutritional claim
D. Consent decree
E. Affirmative disclosure

64. When the Federal Trade Commission determines that an ad is deceptive or unfair, it can:

A. require the advertiser to run cooperative advertising.
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.

65. A(n) _____ is a document that an advertiser accused of deceptive or unfair advertising signs in which it agrees to stop the objectionable advertising.

A. consent decree
B. product substantiation claim
C. cessation order
D. ad sanctioning agreement
E. guilt disclosure

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.

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. cessation orders

68. Which of the following statements about the Food and Drug Administration (FDA) is most likely 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.

69. Which federal agency would have the authority to deal with the fact that a brand of hotdog marked "Low Fat" contains only ten percent less fat than regular hotdogs?

A. The Library of Congress
B. Patent and Trademark Office
C. The Food and Drug Administration
D. Office of Consumer Affairs Service
E. Federal Communications Commission

70. An ad in *Self* magazine states, "Listerine mouthwash reduces germs on up to 96.7% of tissue surfaces 15 minutes after a Listerine gargle." Which federal agency would have the authority to determine if this claim was correct?

A. The Library of Congress
B. Patent and Trademark Office
C. The Food and Drug Administration
D. Office of Consumer Affairs
E. Federal Communications Commission

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

72. Through the issuance of _____, the government provides incentives to invent, invest in, and disclose new technology worldwide.

A. trademarks
B. copyrights
C. patents
D. venture capital
E. differential advantages

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.

74. Which of the following can most likely be copyrighted?

A. An idea for an ad campaign featuring comic characters from the 1930s
B. The dynamic ribbon used in Coca-Cola ads
C. A novel written in 1998 by Stephen King
D. The U.S. Marine Corps symbol
E. The NBC peacock

75. Much of the state legislation that deals with advertising is based on the:

A. U.S. Chamber of Commerce.
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."

76. Which of the following is the largest of the U.S. business-monitoring organizations?

A. Office of Consumer Affairs
B. Better Business Bureau
C. Consumer Protection Agency
D. American Association of Consumers
E. U.S. Chamber of Commerce

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 media.
D. protect consumers from unfair and deceptive advertising.
E. promote the benefits of advertising to its critics.

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. protects consumers and businesses from unfair and deceptive advertising.
E. guides new businesses in the development of ethical advertising codes.

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.

80. Consumer advocate groups are most likely to:

A. create communication barriers that make it difficult for advertisers to reach consumers.
B. submit complaints about ads to appropriate government agencies.
C. issue trademarks and copyrights.
D. sponsor competitor boycotts.
E. substantiate ads.

Short Answer Questions

81. Distinguish between primary demand and selective demand.

82. According to the abundance principle, what two important functions does advertising perform?

83. Define the term "stereotypes" in advertising.

84. What is ethical advertising?

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

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

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

88. How does the Library of Congress help regulate advertising?

89. What is the basis of most state legislation that governs advertising?

90. What is consumerism?

Essay Questions

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

92. What does the abundance principle state?

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

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

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

96. Distinguish between deceptive advertising and unfair advertising.

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

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

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.

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

Chapter 02 The Environment of Advertising Answer Key

True / False Questions

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

   TRUE

   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.

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

2. Advertising adds value to a brand by educating customers about new uses for a product.

   TRUE

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

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

3. Intense competition rarely reduces the number of businesses in an industry.

   FALSE

   Intense competition does tend to reduce the number of businesses in an industry.

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

4. The importance of advertising is best demonstrated by the iceberg principle.

FALSE

The importance of advertising is best demonstrated by the abundance principle.

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

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

Puffery refers to exaggerated, often subjective claims that can't necessarily be proven true or false, such as "the best" or "the only way to fly."

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: The Social Impact of Advertising

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

TRUE

Many critics claim that advertising is so powerful that consumers are helpless to defend themselves against it.

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

7. Critics argue there is too much advertising due to the proliferation of new media.

TRUE

However, with the proliferation of new media choices, this externality is only likely to get worse. Virtually every popular Web site is cluttered with advertising banners, and our e-mail boxes are flooded with advertising messages on a daily basis.

AACSB: Technology
Accessibility: Keyboard Navigation

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: The Social Impact of Advertising

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

FALSE

In national advertising, the image of women is changing from their historic depiction as either subservient housewives or sex objects. In 2012, nearly 58 percent of women were in the labor force and women occupied over half of the management, professional, and related positions. Advertisers want to reach, not offend, this sizable market of upwardly mobile.

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: The Social Impact of Advertising

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

TRUE

Advertising supporters claim that 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.

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

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

TRUE

Together, ethics and social responsibility can be seen as the moral obligation of advertisers not to violate our basic economic assumptions, even when there is no legal obligation.

AACSB: Ethics
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-03 Explain the difference between social responsibility and ethics in advertising.
Topic: Social Responsibility and Advertising Ethics

11. The U.S. Supreme Court does not differentiate between "speech" and "commercial speech."

FALSE

The Supreme Court historically distinguishes between "speech" and "commercial speech" (speech that promotes a commercial transaction).

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: Current Regulatory Issues Affecting U.S. Advertisers

12. While most children and parents are still joint consumers, more and more children are becoming sole decision makers.

TRUE

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

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: Current Regulatory Issues Affecting U.S. Advertisers

13. The uniform nature of advertising regulation in the U.S. ensures that advertisers understand what is required to comply with regulations.

FALSE

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 their jurisdictions often overlap, advertisers may sometimes have difficulty complying with their regulations.

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: Federal Regulation of Advertising in the United States

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

FALSE

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

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: Federal Regulation of Advertising in the United States

15. When State Farm insurance uses advertising to show that it has lower rates than Progressive insurance, it is using comparative advertising.

TRUE

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

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Federal Regulation of Advertising in the United States

16. The FTC can request a company to use corrective advertising, but it may not legally require a company to do so.

FALSE

The FTC can legally require a company to run corrective ads if it has advertised without substantiation for its claims.

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: Federal Regulation of Advertising in the United States

17. The big cursive G that appears in all ads for General Mills cereals is an example of a trademark.

TRUE

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."

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: Federal Regulation of Advertising in the United States

18. The chief function of the consumer protection agencies found in many cities and counties is to act as a watchdog for federal regulators.
Many cities and counties also have consumer protection agencies to 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.

TRUE

Many cities and counties also have consumer protection agencies to 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
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: State and Local Regulation

19. The NLEA sets strict legal definitions for terms such as *light* and *low fat* as used in advertising food products. The Nutritional Labeling and Education Act (NLEA), which went into effect in 1994, gave the FDA additional muscle by setting stringent legal definitions for terms such as *fresh*, *light*, *low fat*, and *reduced calories*.

TRUE

The Nutritional Labeling and Education Act (NLEA), which went into effect in 1994, gave the FDA additional muscle by setting stringent legal definitions for terms such as fresh, light, low fat, and reduced calories.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Federal Regulation of Advertising in the United States

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

FALSE

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 aren't automatic.

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: Nongovernment Regulation

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

FALSE

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.

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: Nongovernment Regulation

22. The Better Business Bureau investigates advertisements for possible violations of accuracy, and it works with law enforcement to prosecute fraudulent advertisers.

TRUE

The BBB 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.

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: Nongovernment Regulation

23. One of the most effective tools for regulating American advertising is the Advertising Self-Regulatory Council. In some cases, the ASRC is more effective than the court system in handling advertising disputes.

TRUE

The ASRC is one of the most comprehensive and effective mechanisms for regulating American advertising. A U.S. district court judge noted in a 1985 case 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.

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: Nongovernment Regulation

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

    TRUE

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

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: Nongovernment Regulation

25. Most advertisers appreciate attention from consumer advocate groups, which rarely succeed in having ads pulled.

    FALSE

    Advertisers do not want to draw negative attention from consumer advocate groups, which may trigger protests and lead to costly ads being pulled.

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: Nongovernment Regulation

Multiple Choice Questions

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. inexpensive ways to increase perceptual value to a product.

The principle of free-market economics is characterized by four fundamental assumptions: self-interest, many buyers and sellers, complete information, and absence of externalities (social costs).

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: The Many Controversies about Advertising

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
C. A car speeding up as it goes downhill
D. A dart hitting the center of a bull's eye
E. A line of dominoes being knocked over

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.

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

28. How does advertising most likely affect the value of a product?

A. Advertised products meet higher quality standards than non-advertised products.
B. Advertising eliminates all perceptual barriers to purchase a product or service.
<u>C.</u> Advertising educates customers about new uses for a product.
D. Advertising provides a predictable increase in product sales.
E. Advertising decreases both competition and prices.

Advertising increases the value of a product when it is used to educate consumers about a new use. While an ad may not address a product's quality directly, the positive image conveyed by advertising may imply quality. Advertising increases competition, which may lower prices.

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

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—never lowers it.
<u>C.</u> 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 total sales.

As a cost of doing business, advertising is indeed paid for by the consumer who buys the product. The government regulates the price of agricultural products. As one element of the mass-distribution system, advertising can help to lower unit costs of products. Historically, advertising has had no impact on the prices charged by utilities. The amount typically spent on advertising is very small compared with total sales.

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

30. Which statement about how advertising affects competition is most likely 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.

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 can't compete with the immense advertising budgets of large firms. Intense advertising can reduce the number of competitors in the market. At the grocery store, non-advertised store brands compete effectively with advertised ones.

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

31. Mike and Lou are going to the mall. Mike wants to buy a pair of jeans and Lou wants to buy a pair of Levi boot-cut jeans. Mike illustrates _____ demand while Lou illustrates _____ demand.

A. secondary; kinked
B. longitudinal; circular
C. external; internal
D. primary; selective
E. selective; primary

Primary demand is demand for a product class, and selective demand is demand for a particular brand.

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

32. What effect does advertising have on consumer demand?

A. Advertising creates trade barriers.
B. Advertising slows the rate of product decline.
C. Advertising moves products quickly through the product life cycle.
D. Advertising slows the adoption process and lengthens the product life cycle.
E. Advertising hinders the development of new products and decreases consumer demand.

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.

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

33. Which of the following statements about the effects of advertising on the business cycle is most likely true?

A. The increased advertising expenditures that occur during business cycle dips always produce an increase in personal consumption expenditures.
B. The effect of advertising on business cycles is easily determined and monitored.
C. When business cycles are down, advertising may act as a stabilizing force.
D. Historically, when business cycles dip, advertising expenditures increase.
E. Advertising does not affect the business cycle according to most experts.

We conclude that when business cycles are up, advertising contributes to the increase. When business cycles are down, advertising may act as a stabilizing force by encouraging buyers to continue buying.

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

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. keeps consumers informed 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.

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, and it allows companies to compete more effectively for consumer dollars.

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

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 normalization
D. Utilitarian principle of advertising
E. Normative theory of supply and demand

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, and it allows companies to compete more effectively for consumer dollars.

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

36. _____ refers to exaggerated, subjective advertising claims that can't be proven true or false.

A. Misleading advertising
B. Hyperbole
C. Advertising manipulation
D. Exploitative advertising
E. Puffery

Puffery refers to exaggerated, often subjective claims that can't necessarily be proven true or false, such as "the best" or "the only way to fly."

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

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.

Puffery is exaggerated, subjective claims that can't be proven true or false.

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: The Social Impact of Advertising

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.

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.

AACSB: Analytic
Accessibility: Keyboard Navigation

Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: The Social Impact of Advertising

39. Which of the following statements is most likely true about deceptive advertising?

A. Puffery can be called deceptive advertising when reasonable people believe it to be true.
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 which have not been previously substantiated.
D. Deceptive ads serve the best interests of the advertisers.
E. There are no regulations governing deceptive advertising.

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. But puffery is excluded from this requirement because regulators maintain that reasonable people won't believe it anyway.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: The Social Impact of Advertising

40. The basic premise of _____ is that advertisers intentionally create ads with sexual messages that are hidden in the illustrations.

A. suggestive selling
B. hidden attribution communication
C. subliminal advertising
D. periliminal communication
E. faux marketing

Wilson Bryan Key promotes the notion that, to seduce consumers, advertisers intentionally 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.

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

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.

Wilson Bryan Key promotes the notion that, to seduce consumers, advertisers intentionally 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.

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: The Social Impact of Advertising

42. Which of the following statements about The Social Impact Of Advertising is most likely 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 plateaued.

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.

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: The Social Impact of Advertising

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 don‘t need.
D. being deliberately deceptive.
E. perpetuating stereotypes.

The speaker is accusing advertisers of promoting stereotypes of African-Americans. Advertising has long been criticized for insensitivity to minorities, women, immigrants, persons who are disabled or elderly, and other groups. Marketing and advertising practitioners sometimes lose touch with the very people they are trying to reach.

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: The Social Impact of Advertising

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 malfeasance.

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

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: The Social Impact of Advertising

45. With respect to offensiveness in advertising, Benetton ads frequently come under attack for the usage of nudity and sexual innuendo. 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 overseas than in the United States.
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.

Ultimately, the marketplace has veto power. If ads don't pull in the audience, the campaign will falter and die.

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: The Social Impact of Advertising

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

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-03 Explain the difference between social responsibility and ethics in advertising.
Topic: Social Responsibility and Advertising Ethics

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 provide the greatest good for the largest number of people.

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-03 Explain the difference between social responsibility and ethics in advertising.
Topic: Social Responsibility and Advertising Ethics

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.

The firm is helping to better society. In the United States, for example, the advertising industry is part of a large business community. Like any good neighbor, it has responsibilities: to keep its property clean, participate in civic events, support local enterprises, and improve the community.

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: Social Responsibility and Advertising Ethics

49. How do advertisers most likely show their social responsibility?

A. By refraining from the use of advertising clutter
B. By providing *pro bono* work to nonprofit groups
C. By obeying most FTC regulations
D. By creating markets for new products
E. By joining self-regulatory agencies

Advertising organizations provide thousands of hours and millions of dollars' worth of pro bono (free) work to charitable organizations and public agencies. They also provide scholarships and internships, contributions that serve the whole society.

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: Social Responsibility and Advertising Ethics

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 the broadcast media.
D. It has offered significant protection for truthful commercial speech.
E. It has made social responsibility mandatory for publicly traded firms.

The Supreme Court historically distinguishes 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.

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: Current Regulatory Issues Affecting U.S. Advertisers

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).

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).

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: Current Regulatory Issues Affecting U.S. Advertisers

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. Most Internet users believe that tracking customer Internet usage is helpful and not harmful.
D. The Federal Communications Commission regulates consumer privacy rights.
E. Enabling cookies helps Internet users to safeguard their personal information.

The "Fair Information Practice Principles" consists of five core elements including the idea that Web sites clearly post privacy policies. Consumers can disable their cookies to limit the personal information provided. Only 27% of Internet users think tracking is helpful, and the FTC monitors privacy rights.

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: Current Regulatory Issues Affecting U.S. Advertisers

53. The Federal Trade Commission (FTC) regulates:

A. advertising for products sold in interstate commerce.
B. marketing of hazardous products and services.
C. food and alcohol safety.
D. packaged food products and their labels.
E. the television and radio industries.

The Federal Trade Commission (FTC) is the major regulator of advertising for products sold in interstate commerce.

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: Federal Regulation of Advertising in the United States

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. hazardous IMC
B. faux marketing
C. unfair advertising
D. deceptive advertising
E. subversive advertising

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.

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: Federal Regulation of Advertising in the United States

55. U.S. Caviar ran ads in an onboard American Airlines magazine offering real Russian caviar at substantially lower prices than it typically sold for. Later, FTC investigators determined that the caviar U.S. Caviar was selling as exotic Russian caviar was produced in the U.S. and was actually overpriced given its quality. U.S. Caviar most likely engaged in:

A. puffery.
B. unethical advertising.
C. deceptive advertising.
D. an ethical dilemma.
E. anti-competitive advertising.

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.

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: Federal Regulation of Advertising in the United States

56. Safeway, a U.K.-based supermarket chain, was reprimanded by a government agency in the United Kingdom because it distributed a leaflet titled "More reasons NOT to shop at Morrisons." (Morrisons is one of Safeway's primary competitors in the U.K.). 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 because the goods were on sale in the Safeway store. The FTC would have most likely found Safeway guilty of:

A. puffery.
B. unethical advertising.
C. deceptive advertising.
D. an ethical dilemma.
E. non-competitive advertising.

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.

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: Federal Regulation of Advertising in the United States

57. _____ advertising occurs when a consumer is "unjustifiably injured" or there is a "violation of public policy."

A. Deceptive
B. Corrective
C. Unfair
D. Hazardous
E. Injurious

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Federal Regulation of Advertising in the United States

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. hazardous advertising.
B. unfair advertising.
C. deceptive advertising.
D. false demonstrations.
E. partial disclosure.

Unfair advertising occurs when a consumer is injured or there is a violation of public policy. Practices considered unfair are 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 mentioned in the ad.

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: Federal Regulation of Advertising in the United States

59. Adolph Coors Co. ran an ad which featured a purported taste test between 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." This ad is an example of _____ advertising.

A. corrective
B. professional
C. comparative
D. cease-desist
E. consent

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

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: Federal Regulation of Advertising in the United States

60. 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. This is an example of _____ advertising.

A. corrective
B. professional
C. comparative
D. cease-desist
E. consent

Advertisers use comparative advertising to claim superiority over named competitors.

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: Federal Regulation of Advertising in the United States

61. Adolph Coors Co. ran an ad which 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.

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. Comparison advertising requires convincing substantiation, such as research; otherwise it may be considered deceptive.

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: Federal Regulation of Advertising in the United States

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 they had carried 1. 4 million cars in the previous year compared to only 1 million on Le Shuttle. P&O European Ferries most likely wanted Le Shuttle to run _____ advertising.

A. corrective
B. professional
C. comparative
D. cease-desist
E. consensual

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

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: Federal Regulation of Advertising in the United States

63. When Grace looked at the container of Round-Up weed and grass killer, she saw a notice that read, "Avoid contact with eyes. This product can cause eye irritation." Which term best describes this label information?

A. Package requirement
B. Customer testimonial
C. Nutritional claim
D. Consent decree
E. Affirmative disclosure

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

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: Federal Regulation of Advertising in the United States

64. When the Federal Trade Commission determines that an ad is deceptive or unfair, it can:

A. require the advertiser to run cooperative advertising.
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.

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.

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: Federal Regulation of Advertising in the United States

65. A(n) _____ is a document that an advertiser accused of deceptive or unfair advertising signs in which it agrees to stop the objectionable advertising.

A. consent decree
B. product substantiation claim
C. cessation order
D. ad sanctioning agreement
E. guilt disclosure

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Federal Regulation of Advertising in the United States

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.

Cease-and-desist orders may be issued by the FTC if an advertiser won't sign a consent decree. They prohibit further use of an ad.

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: Federal Regulation of Advertising in the United States

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. cessation orders

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Federal Regulation of Advertising in the United States

68. Which of the following statements about the Food and Drug Administration (FDA) is most likely 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.

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 over $1 trillion worth of products annually including food, cosmetics, drugs, vitamin supplements, and health food.

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: Federal Regulation of Advertising in the United States

69. Which federal agency would have the authority to deal with the fact that a brand of hotdog marked "Low Fat" contains only ten percent less fat than regular hotdogs?

A. The Library of Congress
B. Patent and Trademark Office
C. The Food and Drug Administration
D. Office of Consumer Affairs Service
E. Federal Communications Commission

The FDA has authority over the labeling, packaging and branding of all packaged foods.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Federal Regulation of Advertising in the United States

70. An ad in *Self* magazine states, "Listerine mouthwash reduces germs on up to 96.7% of tissue surfaces 15 minutes after a Listerine gargle." Which federal agency would have the authority to determine if this claim was correct?

A. The Library of Congress
B. Patent and Trademark Office
C. The Food and Drug Administration
D. Office of Consumer Affairs
E. Federal Communications Commission

The FDA has authority over the labeling, packaging and branding of all packaged foods, cosmetics and medicines.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Federal Regulation of Advertising in the United States

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

The seven-member Federal Communications Commission (FCC) is an independent federal agency with jurisdiction over the radio, television, telephone, 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).

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: Federal Regulation of Advertising in the United States

72. Through the issuance of _____, the government provides incentives to invent, invest in, and disclose new technology worldwide.

A. trademarks
B. copyrights
C. patents
D. venture capital
E. differential advantages

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Federal Regulation of Advertising in the United States

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.

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."

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: Federal Regulation of Advertising in the United States

74. Which of the following can most likely be copyrighted?

A. An idea for an ad campaign featuring comic characters from the 1930s
B. The dynamic ribbon used in Coca-Cola ads
C. A novel written in 1998 by Stephen King
D. The U.S. Marine Corps symbol
E. The NBC peacock

Ideas, slogans, and familiar symbols and designs cannot be copyrighted. 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."

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: Federal Regulation of Advertising in the United States

75. Much of the state legislation that deals with advertising is based on the:

A. U.S. Chamber of Commerce.
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."

State legislation governing advertising is often based on the truth-in-advertising model statute developed in 1911 by Printer's Ink, which for many years was the major trade publication of the industry.

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: State and Local Regulation

76. Which of the following is the largest of the U.S. business-monitoring organizations?

A. Office of Consumer Affairs
B. Better Business Bureau
C. Consumer Protection Agency
D. American Association of Consumers
E. U.S. Chamber of Commerce

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

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

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 media.
D. protect consumers from unfair and deceptive advertising.
E. promote the benefits of advertising to its critics.

The Advertising Self-Regulatory Council (ASRC) promotes and enforces standards of truth, accuracy, taste, morality, and social responsibility in advertising.

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: Nongovernment Regulation

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. protects consumers and businesses from unfair and deceptive advertising.
E. guides new businesses in the development of ethical advertising codes.

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.

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

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.

Almost all media companies review ads and reject material they regard as objectionable, even if it isn't deceptive. Most people think the media are more effective regulators than the government.

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: Nongovernment Regulation

80. Consumer advocate groups are most likely to:

A. create communication barriers that make it difficult for advertisers to reach consumers.
B. submit complaints about ads to appropriate government agencies.
C. issue trademarks and copyrights.
D. sponsor competitor boycotts.
E. substantiate ads.

If a complaint is warranted, consumer advocate groups ask the advertiser to halt the objectionable ad or practice. If the advertiser does not comply, they release publicity or criticism about the offense to the media and submit complaints with substantiating evidence to appropriate government agencies for further action.

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: Nongovernment Regulation

Short Answer Questions

81. Distinguish between primary demand and selective demand.

Primary demand is consumer demand for a whole product category. Selective demand is consumer demand for the particular advantages of one brand over another.

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

82. According to the abundance principle, what two important functions does advertising perform?

Advertising keeps consumers informed of their selection alternatives. It also allows companies to compete more effectively for consumers.

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

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-02 Examine the validity of the various social criticisms of advertising.
Topic: The Social Impact 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: Understand
Difficulty: 1 Easy
Learning Objective: 02-03 Explain the difference between social responsibility and ethics in advertising.
Topic: Social Responsibility and Advertising Ethics

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: substantiation, endorsements, and affirmative disclosures.

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

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

The NLEA provided the FDA with additional powers by setting stringent legal definitions for terms such as fresh, light, low fat, and reduced calories. 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: Remember
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Federal Regulation of Advertising in the United States

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' answers will vary. The Coca-Cola ribbon and the Nike swoosh are examples.

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

88. How does the Library of Congress help regulate advertising?

The Library of Congress protects all copyrighted material, including advertising, in the United States.

AACSB: Analytic
Blooms: Understand

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

89. What is the basis of most state legislation that governs advertising?

State legislation governing advertising is often based on the truth-in-advertising model statute developed in 1911 by Printer's Ink, for many years the major trade publication of the industry. The statute holds that any maker of an ad found to contain "untrue, deceptive, or misleading" material is guilty of a misdemeanor. Today most states enforce laws patterned after this statute.

AACSB: Analytic
Blooms: Remember
Difficulty: 3 Hard
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: State and Local Regulation

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: Nongovernment Regulation

Essay Questions

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

The question of advertising's effect on total consumer demand is extremely complex. Numerous studies show that promotional activity does affect aggregate consumption, but they disagree as to the extent of its influence. For example, the demand for flat-panel TVs, cellular phones, and laptop computers expanded at a tremendous rate, thanks in part to advertising but more from to favorable market conditions. At the same time, advertising hasn't reversed declining sales of such items as hats, fur coats, and manual typewriters.

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

Topic: The Economic Impact 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, and it allows companies to compete more effectively for consumer dollars.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-01 Describe the impact of advertising on the economy.
Topic: The Economic Impact 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 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: Social Responsibility and Advertising Ethics

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) Will 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: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Current Regulatory Issues Affecting U.S. Advertisers

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 Web site 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: Remember
Difficulty: 3 Hard
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Current Regulatory Issues Affecting U.S. Advertisers

96. Distinguish between deceptive advertising and unfair advertising.

Deceptive advertising is any ad in which "there is a misrepresentation, omission or other practice that is likely to mislead the consumer, acting reasonably in the circumstances, to the consumer's detriment." Unfair advertising: According to the FTC, unfair advertising that causes a consumer to be "unjustifiably injured" or that violates public policy.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Federal Regulation of Advertising in the United States

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 for products sold in interstate commerce. The FTC is charged with ensuring "that the nation's markets function competitively, and are vigorous, efficient, and free of undue restrictions." It is the FTC's responsibility to maintain the existence of many sellers in the marketplace, strive to provide more complete information to consumers, and 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: Federal Regulation of Advertising in the United States

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

Comparative advertising is advertising in which one company claims its product is superior to another in some respect. The ads must compare some objectively comparable measurable characteristic. Anyone guilty of misrepresentations about a competitor's product is vulnerable to a civil suit. (The previous law made no such mention of misrepresentation.)

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

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 won't 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: 1 Easy
Learning Objective: 02-04 Describe how government agencies regulate advertising to protect both consumers and competitors.
Topic: Federal Regulation of Advertising in the United States

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

The ASRCNARC 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: Nongovernment Regulation