Chapter 02
The Economic, Social and Regulatory Aspects of Advertising

True / False Questions

1. (p. 27) Advertising adds value to a brand by educating customers about new uses for a product. **TRUE**

   Difficulty: Medium
   Type: Comprehension

2. (p. 28) The economic effect of advertising is like the opening break-shot in billiards. **TRUE**

   See Exhibit 2-2.

   Difficulty: Medium
   Type: Comprehension

3. (p. 29-30) Intense competition cannot reduce the number of businesses in an industry. **FALSE**

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

   Difficulty: Medium
   Type: Comprehension

4. (p. 31) The importance of advertising is best demonstrated by the iceberg principle. **FALSE**

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

   Difficulty: Medium
   Type: Comprehension
5. (p. 31) When an ad states that chicken soup made with Swanson chicken broth "tastes as good as grandma", it is using puffery. TRUE

Puffery refers to exaggerated, often subjective, claims.

**Difficulty: Medium**
**Type: Application**

6. (p. 32) Critics claim advertising is so powerful that consumers are helpless to defend themselves against it. TRUE

**Difficulty: Medium**
**Type: Comprehension**

7. (p. 34) Critics argue there is too much advertising due to the proliferation of new media. TRUE

**Difficulty: Medium**
**Type: Comprehension**

8. (p. 35) Advertisers today do not use male and female stereotypes in their ads. FALSE

Many advertisers are just not aware of the externalities that their ads can create and they may perpetuate stereotypes without even realizing it.

**Difficulty: Medium**
**Type: Comprehension**
9. (p. 37) According to advertising supporters, it promotes a higher standard of living, subsidizes the arts and supports freedom of the press.

**TRUE**

*Difficulty: Medium  
Type: Comprehension*

10. (p. 38) Adherence to ethical and socially responsible principles is the moral obligation of advertisers.

**TRUE**

*Difficulty: Medium  
Type: Comprehension*

11. (p. 39) The U.S. Supreme Court does not differentiate between speech and commercial speech.

**FALSE**

The Supreme Court defines commercial speech as speech that promotes a commercial transaction.

*Difficulty: Medium  
Type: Comprehension*

12. (p. 40) While most children and parents are still joint consumers, more and more children are becoming sole decision makers.

**TRUE**

*Difficulty: Medium  
Type: Comprehension*
13. (p. 41) Because there are so many federal, state and local agencies that regulate different aspects of advertising, advertisers sometimes find it difficult to comply with regulations. **TRUE**

14. (p. 42) Deceptive advertising occurs when a consumer is "unjustifiably injured" or there is a "violation of public policy". **FALSE**

This is the definition for unfair advertising.

15. (p. 44) When State Farm insurance uses advertising to show that it has lower rates than Progressive insurance, it is using comparative advertising. **TRUE**

Comparative advertising is used to claim superiority to competitors.

16. (p. 45) The FTC can request a company 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.
17. (p. 47) The big cursive G that appears in all ads for General Mills cereals is an example of a trademark.  
TRUE

A trademark is any word, name, symbol or device adopted by a manufacturer to identify his goods.

Difficulty: Hard  
Type: Application

18. (p. 48) The chief function of the consumer protection agencies found in many cities and counties is to act as a watchdog for the federal regulators.  
FALSE

The chief function of the consumer protection agencies found in many cities and counties is to protect local consumers.

Difficulty: Medium  
Type: Definition

TRUE

Difficulty: Easy  
Type: Definition

20. (p. 51) Uniform newspaper advertising codes make it easy for advertisers to make sure that their ads meet all legal and ethical requirements.  
FALSE

One problem advertisers' face is that newspapers' codes are not uniform.
Essay Questions

21. (p. 31) 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.

*Difficulty: Medium*  
*Type: Comprehension*

22. (p. 42) What is deceptive 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".

*Difficulty: Easy*  
*Type: Definition*

23. (p. 44) 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.)

*Difficulty: Medium*  
*Type: Definition*
24. (p. 45) List the three courses of action open to the Federal Trade Commission (FTC) once it has determined an ad is deceptive or unfair.

The three courses of action are to (1) request the advertiser to sign a consent decree, (2) issue a cease-and-desist order and (3) require corrective advertising.

*Difficulty: Easy*  
*Type: Definition*

25. (p. 47-48) How does the Library of Congress help regulate advertising?

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

*Difficulty: Easy*  
*Type: Definition*

26. (p. 49) What are the two operating arms of the National Advertising Review Council (NARC)? Briefly explain the function of each.

The first is the National Advertising Division of the Council of Better Business Bureaus, a monitoring and investigative body. The second is the National Advertising Review Board, which serves as the appeal board for NAD decisions.

*Difficulty: Medium*  
*Type: Definition*
Short Answer Questions

27. (p. 30) Helene wants a dog; she's not particular about size or breed. Bob, on the other hand, wants a German shepherd. In terms of demand, which of the two illustrates a primary demand for a dog?

Bob.

Difficulty: Medium
Type: Application

28. (p. 31) What is the name of the economic principle that best demonstrates the importance of advertising?

The abundance principle.

Difficulty: Easy
Type: Definition

29. (p. 31) What type of claim is a ski resort using that advertises it is "the perfect getaway?"

Puffery.

Difficulty: Medium
Type: Application

30. (p. 37) What is ethical advertising?

Doing what it believed to be morally right in a given situation.

Difficulty: Easy
Type: Definition
31. (p. 39) How does the U.S. Supreme Court define commercial speech?

As speech that promotes a commercial transaction.

*Difficulty: Easy*

*Type: Definition*

32. (p. 42) What U.S. agency is the major regulator of advertising for products sold in interstate commerce?

Federal Trade Commission.

*Difficulty: Easy*

*Type: Definition*

33. (p. 45) What kinds of information does the Federal Trade Commission (FTC) look for in an investigation of a complaint about an advertiser?

Substantiation, endorsements and affirmative disclosures.

*Difficulty: Medium*

*Type: Definition*
34. (p. 49) Give an example of a trademark.

Students' answers will vary from the Coca-Cola ribbon to the Nike swoosh.

Difficulty: Medium
Type: Application

35. (p. 48) What is the source of most state legislation governing advertising?

A "truth-in-advertising" model was developed by Printer's Ink in 1911.

Difficulty: Medium
Type: Definition

36. (p. 48) What is the largest of the U.S. business-monitoring organization?

Better Business Bureau (BBB).

Difficulty: Easy
Type: Definition

37. (p. 50) Of all the advertising media, which one conducts the strictest review of the advertising it carries?

Network television.

Difficulty: Medium
Type: Comprehension

38. (p. 51) What is the term used to describe social action to dramatize the rights of the buying public?

Consumerism.

Difficulty: Easy
Type: Definition
Multiple Choice Questions

39. (p. 27) According to the text, externalities are:
A. Unseen opportunity costs
B. Social costs
C. Factors used to increase the reach of advertising
D. Environmental tangibilities that act as barriers to communications
E. Inexpensive ways to increase perceptual value to a product

Difficulty: Medium
Type: Definition

40. (p. 28) According to the text, 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 women entering a room
C. A car speeding up as it goes downhill
D. Throwing darts and hitting the bull's eye
E. The knocking over of a line of dominoes

This is illustrated in Exhibit 2-1.

Difficulty: Medium
Type: Comprehension
41. (p. 27-29) How does advertising affect the value of a product?
A. Advertising cannot add value to a product if the advertising is needed to educate, consumers about a new product use
B. By adding value to a product, advertising eliminates perceptual barriers to purchase
C. The value of advertising explains why someone would buy the more expensive Bayer aspirin rather than the store brand of aspirin that treats the same symptoms
D. Advertising always gives added value to generic brands
E. Advertising has no effect on the value of a brand or product

Advertising increases the value of a product when it is used to educate consumers about a new use. Advertising increases self-interest by adding value to a product like a pair of jeans. Advertising can give added value, but the creators of the advertising are not always successful. Look at all the failed products.

Difficulty: Hard
Type: Comprehension

42. (p. 29) Which of the following statements about how advertising affects price is true?
A. Advertising has a strong effect on the price of agricultural products such as leaf tobacco, soybeans and wheat
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

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.

Difficulty: Hard
Type: Comprehension
43. (p. 29-30) Which of the following statements about how advertising affects competition is true?
A. Some observers believe that advertising actually restricts competition
B. Advertising is not a barrier to competition
C. Advertising is regulated so that it does not impede competition
D. Intense advertising often encourages the entry of new brands and manufacturers into the marketplace
E. Non-advertised products cannot compete with advertised products

At the grocery store, non-advertised store brands compete effectively with advertised ones. Intense advertising can reduce the number of competitors in the market.

Difficulty: Hard
Type: Comprehension

44. (p. 30) 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.

Difficulty: Medium
Type: Application
45. (p. 30) Maria is very upset because the writers' strike has caused her to have to live without learning what's to come with the women on *Desperate Housewives* and how dangerous the secret organization depicted in *Heroes* is. Her husband is happy as long as something mindless is on television. Maria is exhibiting ____ primary.

A. Primary  
B. Kinked  
C. Secondary  
**D. Selective**  
E. Seasoned

Selective demand is demand for a particular brand.

*Difficulty: Easy  
Type: Application*

46. (p. 30) What effect does advertising have on consumer demand?

A. Advertising creates trade barriers that prevent new competitors from entering the marketplace  
**B. Advertising slows the rate of product decline**  
C. Advertising moves the product quickly to the point in the product life cycle where it can be replaced by more efficient IMC  
D. Advertising slows the adoption process and thus, lengthens the product life cycle  
E. Advertising creates a pioneering advantage for products in the latter stages of their PLC

Advertising should enhance the diffusion process. There is no such term as pioneering advantage.

*Difficulty: Hard  
Type: Comprehension*
47. (p. 30) Which of the following statements about the effects of advertising on the business cycle is true?
A. Historically, when business cycles dip, advertising expenditures increase
B. The increased advertising expenditures that occur during business cycle dips always produce an increase in personal consumption expenditures
C. When business cycles are down, advertising may act as a stabilizing force
D. The effect of advertising on business cycles is easily determined and monitored
E. Advertising does not affect the business cycle

Studies prove that businesses that continue to invest in advertising during a recession are better able to protect and sometimes build, market share.

Difficulty: Hard
Type: Comprehension

48. (p. 31) The abundance principle states that in an economy that produces more goods and services than can be consumed, advertising:
A. Maintains high prices
B. Keeps consumers informed of their selection alternatives
C. Contributes to the earth's waste disposal problem
D. Prevents companies from successfully competing for consumer dollars
E. Acts as a stabilizing factor during a business cycle downturn

Difficulty: Medium
Type: Definition

49. (p. 31) According to the _____, if an economy produces more goods and services than can be consumed, advertising allows companies to compete more effectively for consumer dollars and keeps consumers informed of their selection alternatives.
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

Difficulty: Medium
Type: Definition
50. (p. 31) ______ refers to exaggerated, subjective claims that can't be proven true or false.
   A. Misleading advertising
   B. Advertising hyperbole
   C. Advertising manipulation
   D. Exploitative advertising
   E. Puffery

*Difficulty: Easy
Type: Definition*

51. (p. 31) When the city of Pensacola, Florida, advertises itself as "the perfect place for the perfect Florida vacation", it is using:
   A. Unfair advertising
   B. Advertising hyperbole
   C. Deceptive advertising
   D. Puffery
   E. Exploitative advertising

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

*Difficulty: Medium
Type: Application*

52. (p. 31) In a 1940 issue of *Time* magazine, the Chesapeake and Ohio train lines advertised that riding its trains would provide travelers with "the most pleasant trip they have ever known". The advertiser used:
   A. Unfair advertising
   B. Advertising hyperbole
   C. Deceptive advertising
   D. Puffery
   E. Exploitative advertising

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

*Difficulty: Medium
Type: Application*
53. (p. 31-32) Under current law, the only product claims that are considered deceptive are those that:
A. Omit important information about the product
B. Contain claims made without substantiation
C. Violate public policy
D. Are factually false and have the potential to deceive or mislead reasonable people
E. Exploit vulnerable groups

The other alternatives describe the FTC’s definition of unfair.

**Difficulty: Hard**
**Type: Definition**

54. (p. 31-32) Which of the following statements about deceptive advertising is true?
A. Puffery can be called deceptive advertising when consumers 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 false or misleading statement
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 that are considered deceptive are those that are factually false and have the potential to mislead people. When a product does not live up to the advertising claim, dissatisfaction occurs, which is ultimately harmful to the advertiser.

**Difficulty: Hard**
**Type: Comprehension**

55. (p. 32) The basic premise of _____ is that advertisers intentionally create ads with sexual messages that are hidden in the illustrations just below the limen (the threshold of perception).
A. Suggestive selling
B. Hidden attribution communication
C. Subliminal advertising
D. Peripheral communication
E. Faux marketing

**Difficulty: Easy**
**Type: Definition**
56. (p. 32) According to Wilson Bryan Key, subliminal advertising:
A. Works by creating a need for a previously unsought product
B. Consumers cannot be forced to perceive what cannot be seen
C. Works through embedded messages that seduce consumers into buying the good or service
D. Faux advertising is unethical
E. Results in a normative demand cycle for products

Difficulty: Medium
Type: Definition

57. (p. 32) An ad shows a young woman laying in a meadow with small farmhouses dotting the landscape horizon. As she looks at the clouds and smoke coming from the chimneys of the farmhouses, the ad shows what appear to be the words, "Soup's On" in smoky letters coming from one of the chimneys. If Campbell's Soup were to run an ad such as this, the ad would be a form of which of the following?
A. Suggestive selling
B. Hidden attribution communication
C. Subliminal advertising
D. Peripheral communication
E. Faux marketing

The ad message is embedded in the smoke.

Difficulty: Medium
Type: Application

58. (p. 34) When advertisers spend millions of dollars trying to convince people that their products will make them sexier, healthier and more successful, they are trying to:
A. Manipulate consumers' value systems
B. Shorten product life cycles
C. Avoid the need to use peripheral advertising
D. Proliferate stereotypical consumers
E. Avoid the use of puffery

One social argument is that advertising degrades people's value system by promoting a hedonistic and materialistic lifestyle.

Difficulty: Medium
Type: Comprehensive
59. (p. 34) Which of the following statements about the proliferation of advertising is true? 

A. The proliferation of advertising is purely a consumer misperception 
B. While consumers believe there is a potential for too much advertising, advertisers do not believe it 
C. Most people tolerate ad clutter as the price they must pay for freedom of the press, free TV and a high standard of living 
D. The FCC has imposed no restraints on advertising clutter in any media 
E. The proliferation of advertising has plateaued

Ad clutter is increasing and is a reality to both consumers and advertisers. Advertisers find it as annoying as do consumers. The FCC has set up limits on how much time can be devoted to commercials on children's TV programs.

Difficulty: Medium 
Type: Comprehensive

60. (p. 35) 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." He is 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

He is accusing advertising of being insensitive to minorities.

Difficulty: Medium 
Type: Application
61. (p. 35) Ever since the Napoleonic Wars, the British have used the term derogatory terms frogs to refer to the French. When the London-based Institute Francais 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.

Difficulty: Medium
Type: Application

62. (p. 35-37) With respect to offensiveness in advertising, Benetton ads frequently come under attack for its usage of nudity and sexual innuendo. Professionals indicate that the ultimate regulator of such ads is the fact that:
A. The government is currently forming policy that will completely control this form of advertising
B. Companies such as this will never be able to successfully expand worldwide where moral standards are higher than in the United States
C. Trends will eventually change and the problem will take care of itself
D. Companies such as Calvin Klein will eventually run out of money and the advertising will cease
E. If the ads don't pull in the audience, the campaign will falter and die—the marketplace has the ultimate veto power

The text uses the example of A&F Quarterly.

Difficulty: Hard
Type: Comprehension
63. (p. 37) _____ 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

Difficulty: Easy  
Type: Definition

64. (p. 37) Advertisers those are socially responsible:
A. Are always is mindful of man's need for open communication
B. Do what the government wants for society should be of paramount importance in creating ads
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 there primary responsibility is to provide the greatest good for the largest number of people

Difficulty: Medium  
Type: Definition

65. (p. 37) 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 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.

Difficulty: Medium  
Type: Application
66. (p. 38) How do advertisers show their social responsibility?
A. By refraining from the use of advertising clutter  
B. By providing millions of dollars of *pro bono* work to nonprofit organizations  
C. By obeying FTC regulations  
D. By creating markets for new products  
E. By creating self-regulatory agencies

The free advertising work helps better society by supporting non-profits.

*Difficulty: Medium  
Type: Comprehensive*

67. (p. 39) How has the U.S. Supreme Court defined 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 distinguished between "speech" and "commercial speech"  
E. It has made social responsibility mandatory for publicly traded firms

*Difficulty: Medium  
Type: Definition*

68. (p. 40) For businesspeople that believe that freedom of commercial speech should be afforded equal protection under the First Amendment, the _____ is ominous.
A. Banning of puffery  
B. Legislation against tobacco advertising  
C. Establishment of the Children's Advertising Review Unit that wants to ban all advertising targeted to children  
D. Need to avoid any semblance of stereotyping  
E. Concern with political correctness

Commercial speech is that promotes a commercial transaction. The First Amendment protects the right of free speech.

*Difficulty: Medium  
Type: Comprehension*
69. (p. 40) 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 to raise money for ethical children's advertising
   B. Children's advertising review unit (caru)
   C. Children's Board of Information to review all children's advertising
   D. Board of Advertising Review to rate ads in the same manner that movies are rated
   E. Code for Ethical Children's Advertising

   Difficulty: Easy
   Type: Definition

70. (p. 41) Which of the following statements about consumer privacy issues is true? A. Concern about privacy is declining from a high reached during the 1990s
   B. The fact Web sites gather information about visitors without knowledge of the visitors is a privacy concern
   C. Internet companies use the information they gather about consumers to create personalized files about each individual
   D. The Federal Trade Commission regulates privacy rights
   E. None of the above statements about consumer privacy issues is true

   With faxes, mobile phones and the increasing use of computers, concerns about privacy have never been greater. Internet companies' use the information gathered to create products, etc those appeal to people with similar tastes. Advertisers would prefer the FTC not to intervene in this issue.

   Difficulty: Hard
   Type: Comprehension

71. (p. 42) The Federal Trade Commission (FTC) regulates:
   A. Advertising for products sold in interstate commerce
   B. How hazardous products are packaged and advertised
   C. Liquor advertisements, through its power to suspend, revoke or deny renewal of manufacturing and sales permits for distillers and brewers
   D. The advertising, packaging and branding of all packaged goods
   E. The placement and wording of warning statements in advertisements for toys, household products and other hazardous substances that can cause injury or death

   Difficulty: Medium
   Type: Definition
72. (p. 42) 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

Difficulty: Easy
Type: Definition

73. (p. 42) 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 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 engaged in:
A. An ethical lapse
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.

Difficulty: Medium
Type: Application
Chapter 02 - The Economic, Social and Regulatory Aspects of Advertising

74. (p. 42) Safeway, a UK 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 UK.) In the leaflet, Safeway depicted two shopping receipts, one for Safeway and one for Morrisons. The Safeway receipt claimed goods purchased at Safeway were much cheaper than the same goods purchased at Morrisons. Morrisons said that the goods on the imaginary receipt were not typical purchases and that the reason they were cheaper on the Safeway receipt was because the goods were on sale in the Safeway store. The FTC would have said that Safeway was guilty of:
   A. An ethical lapse
   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.

Difficulty: Medium  
Type: Application

75. (p. 42) ______ 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

Difficulty: Easy  
Type: Definition
76. (p. 42) A complaint was filed with the Federal Trade Commission that accused the film industry regularly advertised R-rated movies during television shows and in magazines most popular with children. In other words, the FTC investigated to see if the film industry was guilty of:
A. An ethical lapse
**B.** Unfair advertising
C. Deceptive advertising
D. An ethical dilemma
E. Anti-competitive advertising

Unfair advertising occurs when a consumer is injured or there is a violation of public policy.

*Difficulty: Medium  
Type: Application*

77. (p. 44) In 2005, 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 over named competitors.

*Difficulty: Medium  
Type: Application*
78. (p. 44) 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.

**Difficulty: Medium**
**Type: Application**

79. (p. 44-45) In 2005, 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". Coors was forced to remove the television advertisements after Anheuser-Busch said it made unsubstantiated claims about consumer preferences. Anheuser-Busch:

A. Was exercising its right to protect its trademark  
B. Accused Coors of violating copyright laws  
C. Was using laws designed to protect products from gray marketing  
D. Wanted to see the research data that supported this claim of superior taste  
E. Issued an unsupported cease-and-desist order

**Difficulty: Medium**
**Type: Application**
80. (p. 45) 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 the Shuttle. P&O European Ferries was hoping to get Le Shuttle to run _____ advertising.

A. Corrective  
B. Professional  
C. Comparative  
D. Cease-desist  
E. Consent  

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

Difficulty: Medium
Type: Application

81. (p. 45) When Grace looked at the container of Roundup weed and grass killer, she saw a notice that read, "Avoid contact with eyes. This product can cause eye irritation". This _____ would be important to all of us who wanted to take the best possible care of our eyes.  
A. Package requirement  
B. Testimonial of goodness  
C. Nutritional claim  
D. Substantiation  
E. Affirmative disclosure  

Affirmative disclosure lists products' limitations or deficiencies.

Difficulty: Medium
Type: Application
82. (p. 45) 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 pay reimbursements to all 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

Difficulty: Medium
Type: Comprehension

83. (p. 45) A(n) _____ is a document that the 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

Difficulty: Easy
Type: Definition

84. (p. 45) Cease-and-desist orders:
A. Are voluntary statements that have no legal ramifications
B. Require that the FTC place a representative in the advertising department of the accused advertiser to monitor further campaigns
C. Prohibit further use of the offending advertisement
D. Prohibit further advertising
E. Are issued by the Better Business Bureau

Difficulty: Medium
Type: Definition
85. (p. 45) The Federal Trade Commission has filed a complaint against Provide Commerce, the parent company of Pro-Flowers, for "false and misleading" advertising. Pro-Flowers claim 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 has ordered Pro-Flowers to run _____ and inform its customer that its flowers do not come fresh from the field.

A. Substantiated  
B. Corrective  
C. Cease-desist  
D. Consent

Corrective advertising was required for ads that the FTC has proven to be deceptive.

Difficulty: Medium  
Type: Application

86. (p. 45-46) Which of the following statements about the Food and Drug Administration (FDA) is true?

A. The FDA has authority over the labeling, packaging and branding of all packaged foods and therapeutic devices  
B. The FDA requires manufacturers to list major ingredients on product labels  
C. The FDA does not require health food manufacturers to list the ingredients of their products on package labels  
D. The FDA has no control over promotional statements on package labels  
E. The FDA is a branch of the Federal Trade Commission (FTC)

All ingredients must be listed on product labels. The FDA regulates health food. It does regulate "cents off" and other promotions on package labels. It is an important federal agency.

Difficulty: Hard  
Type: Comprehension
87. (p. 45) 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. The Patent and Trademark Office
C. The Food and Drug Administration
D. The united states post office
E. The federal communications commission

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

88. (p. 45) An ad in a 1940 Time 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. The Patent and Trademark Office
C. The Food and Drug Administration
D. The united states post office
E. The federal communications commission

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

89. (p. 46-47) 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. National advertising review council
E. Office of Consumer Affairs
90. (p. 47) 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

Difficulty: Easy  
Type: Definition

91. (p. 47) A trademark:
A. Is any word, name, symbol or device or combination thereof, which identifies one particular product or line of products from a single source  
B. Prevents the whole ad from being legally used by another  
C. Is required by law to be significantly different from the trade name of the organization that owns the trademark  
D. Is registered and protected by the Library of Congress  
E. Grants exclusive rights to the trademarked material for the life span of its owner plus an additional 50 years

Difficulty: Medium  
Type: Definition

92. (p. 47) Which of the following can 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. The U.S. Marine Corps symbol  
D. The NBC peacock  
E. The newest book by Dan Brown

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

Difficulty: Medium  
Type: Application
93. (p. 48) Much of the state legislation that deals with advertising is based on the:
A. Constitution of Great Britain
B. Self-regulation codes published by the advertising profession
C. "truth-in-advertising" model developed by Printer's Ink, the industry trade paper for many years
D. U.S. Supreme court's "code of commercial speech"
E. Federal government's "General Code of Advertising Ethics"

Difficulty: Medium
Type: Comprehension

94. (p. 48) 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

Difficulty: Easy
Type: Definition

95. (p. 49) The primary purpose of the National Advertising Review 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

Difficulty: Medium
Type: Definition
96. (p. 49) The National Advertising Division (NAD) of the National Advertising Review Council (NARC):
A. Promote the benefits of advertising to its critics
B. Serves as the appeal board for decisions made by the National Advertising Review Board
C. Is a monitoring and investigative body
D. Protect consumers from unfair and deceptive advertising
E. Guides new businesses in the development of ethical advertising codes

`Difficulty: Medium
Type: Definition`

97. (p. 50) *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 and *Good Housekeeping* has continued the practice
D. Is used by most print media, including the tabloids
E. Is redundant given the watchfulness of federal regulatory agencies

Most people think the media are more effective regulators than the government.

`Difficulty: Medium
Type: Application`

98. (p. 51) _____ is defined as social action designed to dramatize the rights of the buying public.
A. De-marketing
B. **Consumerism**
C. Social responsibility
D. Socialization
E. Consumer lobbying

`Difficulty: Easy
Type: Definition`
99. *(p. 51)* Consumer advocate groups:
A. Substantiate ads
B. Sponsor competitor boycotts
C. Create communications barriers that make it difficult for advertisers to reach disadvantaged consumers
D. Submit complaints about ads to appropriate government agencies
E. Do all of the above

*Difficulty: Medium  
Type: Definition*

100. *(p. 51)* The _____, an association of the largest ad agencies in the United States, monitors industry-wide advertising practices.
A. American advertising federation
B. Association of National Advertisers
C. Consumer Federation of America
D. American Association of Advertising Agencies
E. National advertising review council

*Difficulty: Medium  
Type: Definition*