

Ethical and Legal Aspects of Marketing



Matching

Definitions	Terms
Products where the inputs can be reused in their original form	Environmentally responsible products
The Australian Government regulatory that administers the Trade Practices Act	Australian Competition and Consumer Commission
Progress and change in the way in which products are sold to the final consumer	Retail development
Promotion of products to consumers which may not be essential for their survival	Creation of needs
Selling under the guise of research	Sugging
Advertising which is untruthful and could lead consumers to make inappropriate consumer choices	Deceptive and misleading advertising
A practice where the seller of a product is able to sell the same product in different markets for different prices	Price discrimination
A guarantee by the seller of a product that the product is fit for use and can carry out its purpose	Warranty
A Commonwealth law which regulates the marketing and distribution of goods	Trade Practices Act 1974
Conducting business through the Internet	e-commerce

True or False

- | | | |
|----------|----------|-----------|
| 1. True | 5. True | 9. False |
| 2. True | 6. False | 10. False |
| 3. True | 7. True | |
| 4. False | 8. False | |

Multiple Choice

- 1 D Environmentally responsible products
- 2 A Sugging
- 3 C Creation of needs
- 4 D Deceptive and misleading advertising
- 5 D Resale price maintenance
- 6 D Implied conditions
- 7 D Price discrimination
- 8 A Role of consumer laws
- 9 C Implied conditions
- 10 D Deceptive and misleading advertising
- 11 C Creation of needs
- 12 C Role of consumer laws
- 13 A Impacts of retail developments
- 14 B Role of consumer laws
- 15 D Environmentally responsible products

Short Answer Questions

Question 1

- (a) Price discrimination is the act of charging different prices for the same product to different people.
- (b) Advertising of this sort leads to animosity between a firm and its customers. This will lead to lost trust in the business. The firm will experience a decline in sales volume due to employee back lash against the business and its products. Employees within the firm are also likely to experience low morale, due to disapproval of advertising methods employed.
- (c) The business could lower the fat content of its burgers and publicise an independent study of the burgers to customers, to instil trust in the fat content of its new burgers. An independent study is unbiased, and will therefore hold credibility in the eyes of disbelieving customers. Assurance of product quality could bring back customers who previously purchased the burger. However, previously damaging publicity was very strong and is likely to prove very difficult to revert. The decision to validate the quality of products only after bad publicity is likely to carry the perception of unethical business practice. Customers still won't trust the business to be ethical without community pressure.

The company could contribute a percentage of profit to community groups and charities. This sponsorship would aim at improving the perception of the hamburger company in the community, as an ethical and responsible company. In the short-term such investment is unlikely to alleviate negative customer perceptions, due to the magnitude of previous negative publicity. However, in the medium-term it is likely that memory of bad publicity will be replaced by a perception that Clara's burgers has made a commitment to the community, and has picked up its act. This good will is likely to improve perception of the products.

Question 2

- (a) The company recycles and donates to a wild life charity, therefore contributing to two environmentally responsible causes.
- (b) Manufacturing products in an environmentally responsible manner can create the impression that a company cares about the environment. Referring to responsible practices in a marketing campaign can boost a company's image, through showing that the firm considers wider issues outside the realm of profit. This reputation will reflect positively on the branding of the company.
- (c) Word of mouth is a much more trustworthy form of advertising, compared to those used through other communication mediums. People know that radio, television and other mass-media advertising are paid for by a company and are biased. Advertising through these mediums is also highly impersonal. Word of mouth by contrast, is communicated through friends and acquaintances with whom customers have a trusting relationship. Advertising through this form is tailored to individual customers and is therefore highly personal. Through telling further persons of a products utility a ripple effect begins where the volume of customers who know of the product increases exponentially.
- (d) The company should identify the qualities if its juice brand, that give it an edge over competitors. They should then actively promote knowledge of these qualities in their customers, so as to create a favourable image of the product. This can best be achieved through identifying areas of nutritional superiority in comparison with competitors. e.g. Low sugar.

After educating customers, the company should then conduct below-the-line promotions by providing incentives for customers to tell others about areas of nutritional superiority in its products. This can take the form of discounts or even loyalty points or bonuses. This will further promote loyalty of current customers to the brand, and also provide a business opportunity to new customers, so that they can benefit from incentives also.