

Week 7 Solution

01) Which of the following statements are to be found in Crane and Matten's definition of consumer rights? Please select all that apply.

- a. Inalienable entitlements to fair treatment when entering into exchanges with sellers.
- b. They rest upon the assumption that consumer dignity should be respected.
- c. They ensure that consumers receive full information in advance of entering into an exchange with sellers.
- d. They rest upon the assumption that sellers have a duty to treat consumers as ends in themselves.
- e. All of the above options except option c.

Answer =e. Feedback: Crane and Matten define consumer rights as follows: 'inalienable entitlements to fair treatment when entering into exchanges with sellers. They rest upon the assumption that consumer dignity should be respected, and that sellers have a duty to treat consumers as ends in themselves, and not only as means to the end of the seller.' What constitutes 'fair treatment' is open to considerable debate.

02) What responsibility are sellers often said to have, in relation to customers perceived to be vulnerable in some way?

- a. An obligation to charge a fair price.
- b. A duty to promote sustainable consumption.
- c. A duty of care
- d. A duty to treat customers fairly.
- e. All of the above.

Answer=c. Feedback: A consumer may be vulnerable for several reasons, such as serious illness, young age, poverty, or senility. Where a seller is able to exploit the vulnerability of a potential customer, it can be argued that the seller has an inherent duty to act in such a way as to respect the interests of the consumer, as well as the interests of themselves and their company. This is known as a duty of care.

03) What do Crane and Matten identify as a focus for debate in the case of companies expanding into new, international markets? Please select all that apply.

- a. Erosion of local cultures and rise of cultural homogenization
- b. The rise of neo-colonialism
- c. Increasing predominance of consumerist ideologies
- d. Both option a and c
- e. None of the above options.

Answer=d. Feedback: For companies expanding into new, international markets, one of the main ethical issues arising from globalization comes under the heading of 'the export of consumerism and rise of cultural homogenization'. The statements in the question all relate to this issue. The other broad issues that Crane and Matten identify are 'different standards of consumer protection', and 'the role of markets in addressing poverty and development'.

04) What is the 'bottom of the pyramid' concept?

- a. Focus on alleviating poverty by raising the real incomes of the poor.
- b. Focus on social enterprise or cooperatives to maximize the ability of the poorest to lift themselves out of poverty.
- c. Focus on providing small loans to the poorest members of developing societies, who have no access to formal credit facilities.
- d. Focus on offering innovative products and services to the world's poorest people.
- e. All of the above.

Answer=d. Feedback: The bottom of the pyramid concept urges multinationals to tap into the 'fortune at the bottom of the pyramid' of economic development by offering innovative goods and services to the world's poorest people. The idea is for multinationals to help bring about a 'more stable, less dangerous world' through commerce rather than by spearheading global social development for charitable purposes. It harnesses the argument of self-interest (Prahalad and Hammond, 2002).

05) What are the dimensions of Smith's (1995) consumer sovereignty test? Please select all that apply.

- a. Consistency
- b. Consumer capability
- c. Choice
- d. Information
- e. All of the above except option a

Answer=e. Feedback: The three dimensions are consumer capability (freedom from limitations in rational decision-making), information (availability and quality of relevant data) and choice (opportunity for switching to another supplier).

06) Which of the following statements about ethical consumption would Crane and Matten agree with? Please select all that apply.

- a. Given increasing political apathy and the rise of consumer activism, ethical consumption is likely to become an adequate replacement for political action on a range of issues.
- b. There is little doubt that a large and significant minority of purchases are influenced by ethical considerations, and that this occurs across the globe.
- c. In responding to ethical consumers, companies have two basic options: they can either adopt an ethical niche orientation, or they can take a mainstream orientation to the ethical market.
- d. Consumers can, to some extent, act as a social control on business.
- e. Both options c and d

Answer=e. Feedback: A small but significant proportion of purchases globally are influenced by ethical considerations. Ethical consumers have therefore had a role in prompting firms to address ethics more enthusiastically. Companies can adopt either a mainstream or ethical niche orientation to the ethical market. All of this means that consumers do act as a social control to business to some extent, though ethical consumption will never be an adequate replacement for political action.

07) Buchholz (1998) identifies the changing ethics governing our societies as a factor in the move towards more sustainable consumption. Which of the following statements is accurate according to her model? Please select all that apply.

- a. The Protestant ethic promotes alternative meanings of growth and investment in the environment.

- b. The consumerism ethic promotes instant gratification and consumption.
- c. The environmental ethic promotes investment in productive capacity.
- d. The socialist ethic promotes the generation of collective welfare.
- e. All of the above.

Answer=b. Feedback: Buchholz posits a move towards sustainable consumption. She argues that changes to societal ethics happen slowly. Her argument is that the Protestant ethic was dominant during the establishment of market systems in much of Europe. This gave way over time to the consumerism ethic, which is currently dominant. She argues that we now need to move to an environmental ethic. A socialist ethic does not appear in her model.

08) Which of the following is the argument offered against direct marketing in the form of direct phone solicitation?

- a. It is a waste and misuse of paper, adding to the depletion of forests and overtaxing landfills.
- b. It is an invasion of privacy.
- c. It is time consuming and intrusive.
- d. It is a significant inconvenience because of the considerable volume.
- e. None of these

Answer=b. Feedback: Direct phone solicitation is about making marketing calls

09) Which of these is/are **not** common ethical issue/s with respect to different areas of marketing?

- a. Targeting vulnerable consumers
- b. Predatory pricing
- c. Promotion of materialism
- d. Creation of artificial wants
- e. None of these

Answer=e. Feedback: All of the above are ethical issues with respect to different areas of marketing

10) The common definition of price fixing is:

- a. When companies agree to set prices artificially high.
- b. When companies agree to limit production.
- c. When a company sells a buyer certain goods only on condition that the buyer also purchases other goods from the firm.
- d. When companies agree to limit production.
- e. All are correct

Answer: a. Feedback: Price fixing occurs as a result of collusion between competing firms to fix prices above the market rate