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# FTC's Appliance Labeling Rule

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# Outline

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- ❑ FTC Background
- ❑ FTC Consumer Research
- ❑ FTC EnergyGuide Study

**Disclaimer** –The views expressed in this presentation are my own and do not necessarily reflect those of the Commission, or of any individual Commissioner.

# FTC's Consumer Protection Role

- Protection of consumers from deceptive and unfair practices in marketplace
- Disclosure and labeling rules to help consumers make informed purchasing decisions
- FTC does not set environmental/energy standards or policies



# Appliance Labeling

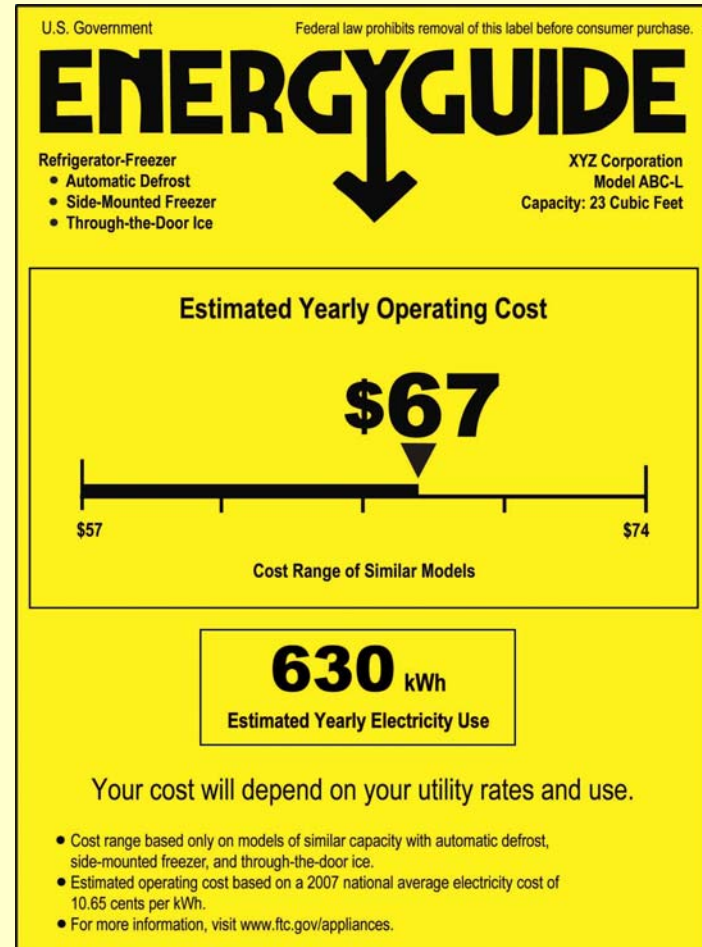
## Rule: Overview

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- ❑ Rule requires EnergyGuide labels on most appliances and certain disclosures for lighting and plumbing products
- ❑ The label is required on all covered products, not just high-efficiency products
- ❑ Information on appliance labels must be based on Department of Energy (DOE) test procedures

# Role of EnergyGuide

- ❑ Detailed operating cost and energy consumption information allows consumers to compare competing models
- ❑ The label aids consumers in identifying higher efficiency products



## Recent Changes to EnergyGuide Label

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- ❑ 2007 FTC announced new EnergyGuide label design
- ❑ Effort followed two-year rulemaking
- ❑ Consumer research of various label designs

# Consumer Research Tools - Qualitative

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- Focus Groups
- Copy Tests
- In-depth One-on-One interviews

# Consumer Research Tools- Quantitative

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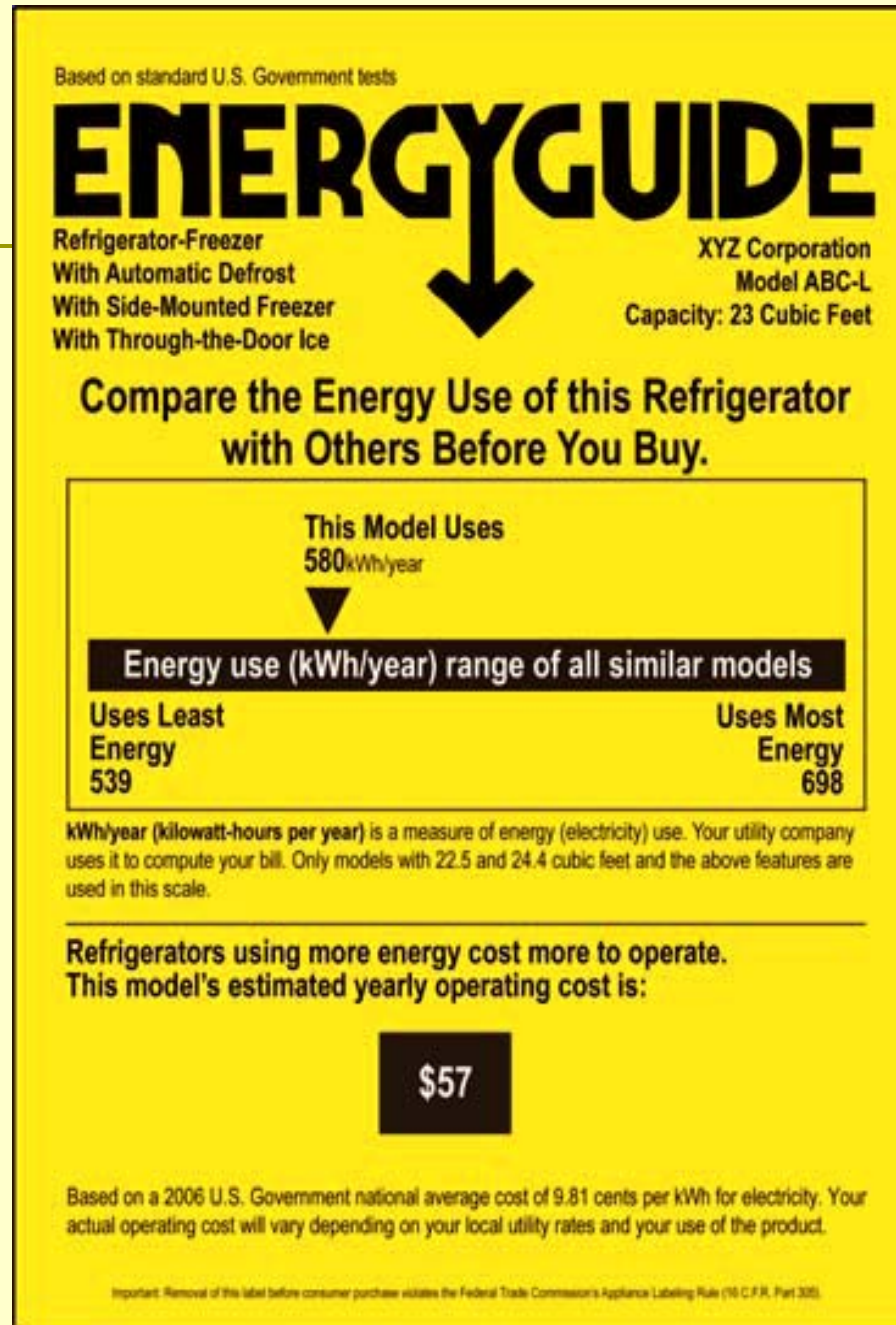
- Mall intercept

- Telephone

- Internet



# Old Label



# EnergyGuide Study - Consumer Research

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- Internet Based
- 4,000 sample size, 10 different cells
- Identical questions for each cell

# Alternative Label Designs

- 4 basic label designs (10 total variations/cells):

Based on standard U.S. Government tests

## ENERGYGUIDE

Dishwasher Capacity: Standard XYZ Corporation Model CBA-L

**Compare the Energy Use of this Dishwasher with Others Before You Buy**

ENERGY STAR A symbol of energy efficiency

This Model Uses **363 kWh/year**

**Energy use (kWh/year) range of all similar models**

Uses Least Energy **194** Uses Most Energy **531**

kWh/year (kilowatt-hours per year) is a measure of energy (electricity) use. Your utility company uses it to compute your bill. Only standard size dishwashers are used in this scale.

Dishwashers using more energy cost more to operate. This model's estimated yearly operating cost is:

**\$36** When used with an electric water heater

**\$28** When used with a gas water heater

Based on four wash loads a week and a 2006 U.S. Government national average cost of 9.81 cents per kWh for electricity and \$1.42 per therm for natural gas. Your actual operating cost will vary depending on your local utility rates and your use of the product.

Important: Removal of this label before consumer purchase violates the Federal Trade Commission's Appliance Labeling Rule (16 C.F.R. Part 302)

U.S. Government

## ENERGYGUIDE

Dishwasher Capacity: Standard XYZ Corporation Model CBA-L

**Estimated Yearly Energy Use**

**363 kWh**

194 kWh lowest energy use of similar models 531 kWh highest energy use of similar models

**\$36** Estimated Yearly Operating Cost (when used with an electric water heater)

**\$28** Estimated Yearly Operating Cost (when used with a natural gas water heater)

Based on four loads a week. Your actual operating costs will depend on your local utility rates and how you use this dishwasher. The estimated operating cost is based on a 2006 U.S. Government national average cost of 9.81 cents per kWh for electricity and \$1.42 per therm for natural gas. kWh (kilowatt-hour) is a measure of electricity use. For more information, visit [www.ftc.gov/appliances](http://www.ftc.gov/appliances).

**Federal law prohibits removal of this label before consumer purchase.**

U.S. Government

## ENERGYGUIDE

Dishwasher Capacity: Standard XYZ Corporation Model CBA-L

**The More Stars the More Energy Efficient**

★★★★☆

531 kWh/year Based on a comparison of similar models 194 kWh/year

**363 kWh** Estimated Yearly Energy Use

**\$36** Estimated Yearly Operating Cost (when used with an electric water heater)

**\$28** Estimated Yearly Operating Cost (when used with a natural gas water heater)

Based on four loads a week. Your actual operating costs will depend on your local utility rates and how you use this dishwasher. The estimated operating cost is based on a 2006 U.S. Government national average cost of 9.81 cents per kWh for electricity and \$1.42 per therm for natural gas. kWh (kilowatt-hour) is a measure of electricity use. For more information, visit [www.ftc.gov/appliances](http://www.ftc.gov/appliances).

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## ENERGYGUIDE

Dishwasher Capacity: Standard XYZ Corporation Model CBA-L

**Estimated Yearly Operating Cost (When used with an electric water heater)**

**\$36**

\$19 lowest operating cost of similar models \$52 highest operating cost of similar models

**363 kWh** Estimated Yearly Energy Use

**\$28** Estimated Yearly Operating Cost (when used with a natural gas water heater)

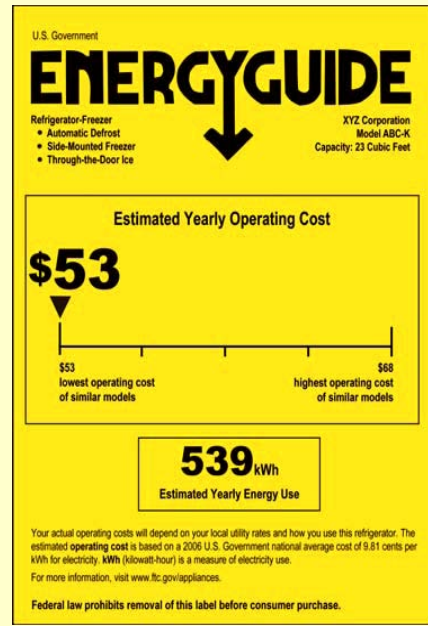
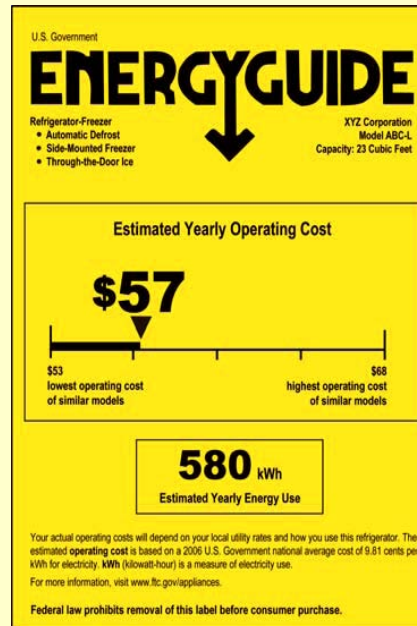
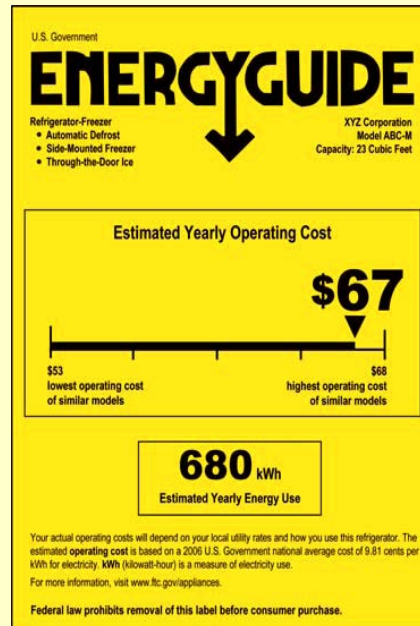
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# Hypothetical Models

Within each label design/cell:

- ❑ 4 hypothetical refrigerator models
- ❑ 4 hypothetical dishwasher models



# Questionnaire - Effectiveness of Current Labeling

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Basic questions about perceived usefulness of the current label based on recent shopping experience

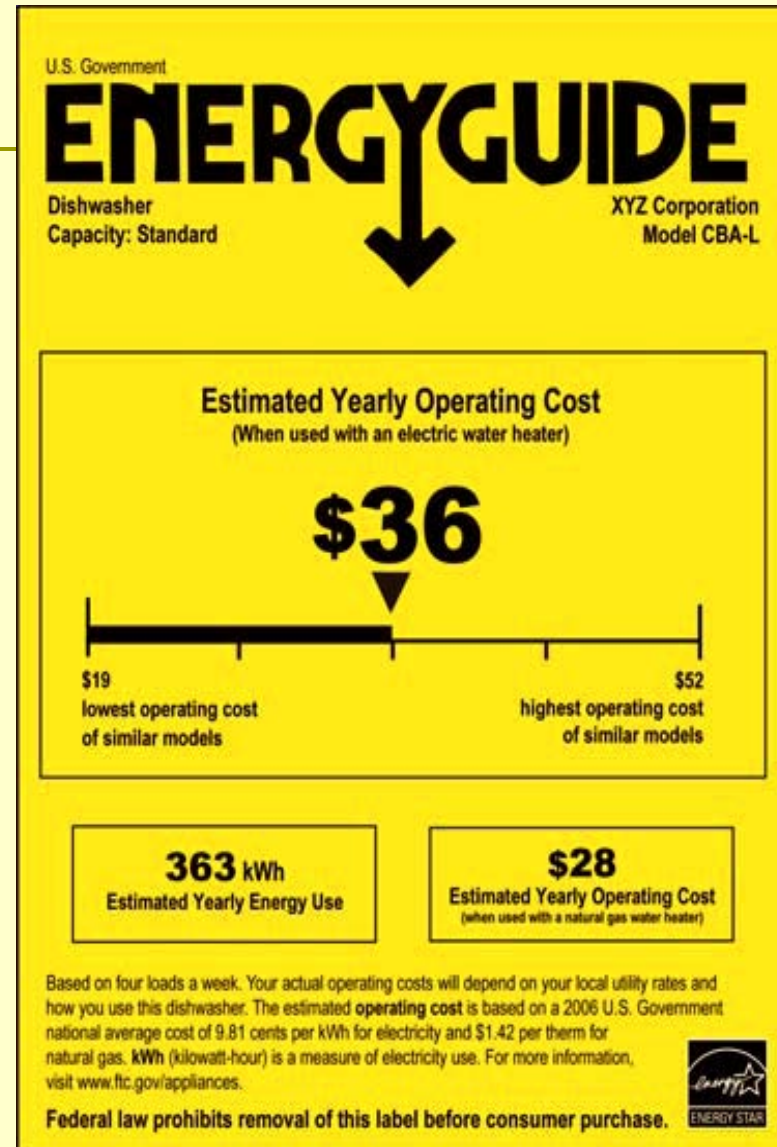
# Questionnaire - Objective Tasks

Questions included ranking tasks, perceived quality, willingness to pay, perceived usefulness of disclosures, etc.



# Questionnaire – ENERGY STAR Questions

Questions also explored interaction with ENERGY STAR logo



# Consumer Research Results

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- Label Recognition: Results suggested high level of reported recognition and usefulness of existing label
- Objective Tasks: All label designs performed well on objective task with some differences in some cases



# Consumer Research Results

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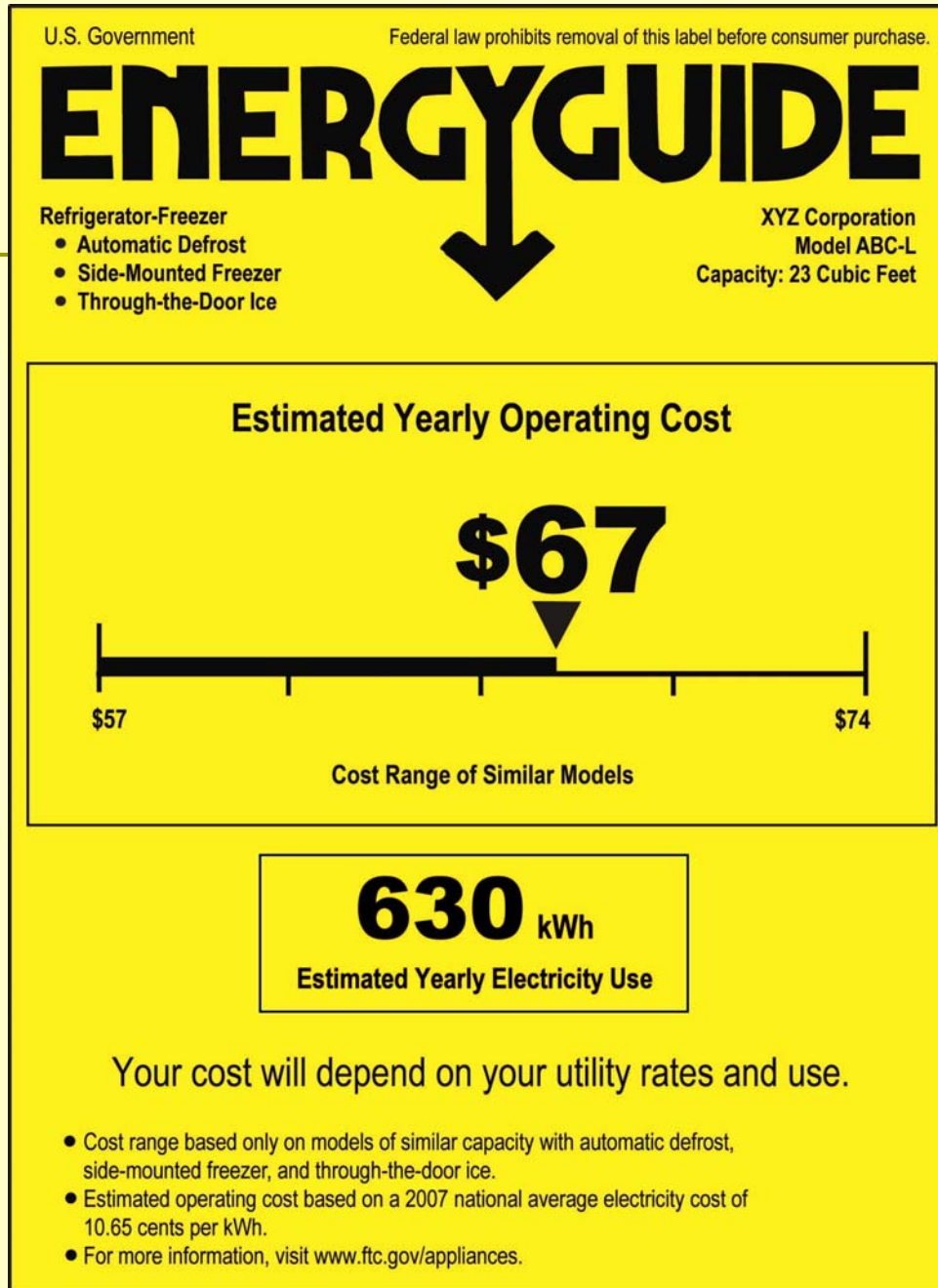
- ❑ ENERGY STAR: Research suggested potential confusion regarding ENERGY STAR for categorical design
- ❑ Operating Cost: Respondents strongly preferred operating cost as primary disclosure

# New Label

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- New label places estimated annual operating cost as the primary disclosure
- Label continues to provide energy use or efficiency info as derived by DOE tests

# New Label



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