FTC’s Appliance Labeling Rule

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Outline

- 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

- 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

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

- Focus Groups
- Copy Tests
- In-depth One-on-One interviews
Consumer Research Tools- Quantitative

- Mall intercept
- Telephone
- Internet
Old Label

ENERGYGUIDE
Refrigerator-Freezer
With Automatic Defrost
With Side-Mounted Freezer
With Through-the-Door Ice

Compare the Energy Use of this Refrigerator with Others Before You Buy.

This Model Uses
580 kWh/year

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

Uses Least
Energy
539

Uses Most
Energy
698

kWh/year (kilowatt-hours per year) is a measure of energy (electricity) use. Your utility company uses it to compute your bill. Only models with 22.5 and 24.4 cubic feet and the above features are used in this scale.

Refrigerators using more energy cost more to operate.
This model’s estimated yearly operating cost is:

$57

Based on a 2006 U.S. Government national average cost of 9.81 cents per kWh for electricity. Your actual operating cost will vary depending on your local utility rates and your use of the product.

EnergyGuide Study - Consumer Research

- 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):
Hypothetical Models

Within each label design/cell:
- 4 hypothetical refrigerator models
- 4 hypothetical dishwasher models
Questionnaire - Effectiveness of Current Labeling

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

- 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

- ENERGY STAR: Research suggested potential confusion regarding ENERGY STAR for categorical design

- Operating Cost: Respondents strongly preferred operating cost as primary disclosure
New Label

- 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

Estimated Yearly Operating Cost

$67

Cost Range of Similar Models

$57 $74

630 kWh
Estimated Yearly Electricity Use

Your cost will depend on your utility rates and use.

- Cost range based only on models of similar capacity with automatic defrost, side-mounted freezer, and through-the-door ice.
- Estimated operating cost based on a 2007 national average electricity cost of 10.05 cents per kWh.
- For more information, visit www.ftc.gov/appliances.