

**Supporting Statement for a Paperwork Reduction Act
Submission to OMB
FTC Study of Consumer Perception Concerning Environmental Marketing Terms
OMB Control No. 3084-NEW**

A. JUSTIFICATION

(1) Necessity for Collecting the Information

The Commission's Guides for the Use of Environmental Marketing Claims ("Green Guides" or "Guides") (16 C.F.R. Part 260) help marketers avoid making unfair and deceptive environmental claims.¹ The Guides outline general principles that apply to all environmental marketing claims and provide guidance regarding specific categories of such claims.² These categories include: general environmental benefit claims such as "environmentally friendly"; degradable claims; compostable claims; recyclable claims; recycled content claims; source reduction claims; refillable claims; and "free-of" claims. The Green Guides explain how reasonable consumers are likely to interpret claims within these categories. The Guides also describe the basic elements necessary to substantiate claims and present options for qualifying them to avoid deception.³ The illustrative qualifications provide "safe harbors" for marketers who want certainty, but do not represent the only permissible approaches. Currently, the Guides do not provide specific guidance regarding "organic" claims.

¹ The Commission issued the Green Guides in 1992 (57 Fed. Reg. 36,363) and subsequently revised them in 1996 (61 Fed. Reg. 53,311), 1998 (63 Fed. Reg. 24,240), and 2012 (77 Fed. Reg. 62,121).

² 15 U.S.C. 45(a). The Commission's industry guides, such as the Green Guides, are administrative interpretations of the application of Section 5 of the FTC Act, 15 U.S.C. 45(a), to advertising claims. The Commission issues industry guides to provide guidance for the public to conform with legal requirements. These guides provide the basis for voluntary abandonment of unlawful practices by industry members. 16 CFR Part 17. The Guides do not have the force and effect of law and are not independently enforceable. However, the Commission can take action under the FTC Act if a business makes environmental marketing claims inconsistent with the Guides. In any such enforcement action, the Commission must prove that the act or practice at issue is unfair or deceptive.

³ The Guides do not, however, establish standards for environmental performance or prescribe testing protocols.

(2) Use of the Information

The FTC plans to conduct Internet-based research to explore consumer perceptions of certain environmental marketing claims, such as “organic” and “recycled content,” to help the Commission better advise marketers on how to comply with the law. The proposed study will compare participant responses regarding the meaning of such claims across different products. Specifically, using a treatment-control comparison methodology, the study will examine how respondents understand organic and recycled content claims and whether various scenarios of product origin and composition are consistent with respondent perception of these claims. For “recycled content” claims, the study will present questions about products produced with materials sourced under different scenarios and compare participant responses to those scenarios. Source material scenarios include materials recycled by consumers or materials recovered from manufacturing other products and reprocessed to varying degrees.

The study will also examine how respondents understand the term “organic” for claims involving products not covered by the requirements of the National Organic Program (NOP) (*e.g.*, mattresses and dry cleaning).⁴ The FTC staff will use the study results, along with other information such as public comments, in considering whether to recommend that the Commission propose revisions to the Green Guides.

Having considered the costs and benefits of various data collection methods, the FTC has concluded that an Internet panel with nationwide coverage will provide the most efficient way to meet the research objectives. We will draw participants from an Internet panel maintained by a commercial firm. All participation will be voluntary. While the results will not be generalizable to the U.S. population, they will provide useful insights into consumer understanding of the claims being considered, particularly when comparing the responses to various scenarios to determine how consumers may view those scenarios differently. The FTC has contracted with IPSOS, a consumer research firm with substantial experience assessing consumer communications via the Internet and other alternative protocols, to administer the Internet study.

(3) Consideration of the Use of Information Technology to Reduce Burden

Consistent with the aims of the Government Paperwork Elimination Act, 44 U.S.C. § 3504 note, the proposed study will use the Internet for data collection. The Internet was selected as the means to collect data, in part, to minimize burden on respondents and to collect data in a cost-efficient manner. For example, people who choose to participate in the study will be able to view the questionnaire, as well as submit their responses via computer, at a time and location of their choosing.

⁴ The NOP is administered by the U.S. Department of Agriculture (USDA).

(4) **Effort to Identify Duplication**

The FTC has issued several requests for comment on the above-noted issues in the past, including a request for relevant study findings, published in the Federal Register (as described in Part A.8(a) below). The FTC staff has reviewed the relevant academic literature as well as industry sources for studies of consumer perception of the claims at issue. We know of no other studies that provide the specific information being sought here.⁵

(5) **Efforts to Minimize Burden on Small Organizations**

Not applicable. Only individual consumers are being surveyed.

(6) **Consequences of Not Conducting the Collection of Information**

If this information is not collected, the Commission may lack sufficient information to address important issues and to target more effectively future law enforcement and consumer education actions. The study scope and burden has been reduced as much as possible short of sacrificing the value of the information to be collected.

(7) **Circumstances Requiring Collection Inconsistent With Guidelines**

The collection of information in the proposed study is consistent with all applicable guidelines contained in 5 C.F.R. § 1320.5(d)(2). The contractor will ensure a stratified sample of the population across consumer groups broadly representing the characteristics of U.S. non-institutionalized respondents 18 years and older, relative to the most recent Census Bureau Current Population Survey. Part B of this Supporting Statement has further detail about survey methodology.

(8) **Consultation Outside the Agency**

a. **Public Comments**

As required by section 3506(c)(2) of the PRA, the FTC published a notice seeking public comment on the proposed collection of information. *See* 79 Fed. Reg. 16,330 (Mar. 25, 2014). In response, the Commission received three comments.⁶ Each comment is discussed below:

⁵ On November 3, 2009, the FTC completed a different consumer study on green claims. The study report was published on October 15, 2010, with the issuance of the Federal Register Notice promulgating proposed Green Guides.

⁶ The Commission received comments from the Organic Trade Association (#562-00008);

Organic Trade Association: The Organic Trade Association (OTA) provided five recommendations for the study. First, it urged the FTC to refrain from conducting research on products already covered by the USDA's NOP. Second, it suggested that the FTC explore "consumer trust in organic labeling" related to products outside of the NOP's coverage. Third, it recommended that the FTC draft an enforcement policy related to such products. Fourth, it asked the FTC to monitor and take enforcement action against misleading "organic" claims for products not subject to USDA authority. Finally, OTA suggested that the FTC consider OTA's own research projects related to organic issues, the *U.S. Families' Organic Attitudes and Beliefs Study* and OTA's *Organic Industry Survey*, updated versions of which will be available soon.

Consistent with OTA's recommendations, the FTC staff plans to focus only on organic claims involving products not clearly subject to current USDA regulations, such as dry cleaning. In implementing this approach, the study will include several questions asking how respondents believe "organic" claims to be regulated, thus exploring their understanding of such claims. In addition, the FTC staff will use the results of the research, as well as other available studies, to determine whether to recommend development of further guidance related to such claims. The results will also help the FTC staff in considering appropriate enforcement against misleading claims in the market.

National Marketing Institute: NMI encouraged the FTC to consider NMI's research services for the study. NMI explained that it has conducted consumer surveys for several years on a variety of environmental claims including consumer packaging and recycling habits, as well as consumer attitudes, trust, and purchasing behaviors related to organic products. NMI contended that it could provide information about cost, timing, and specific participation procedures. It noted that data results are typically available five weeks after collection.

The FTC has already contracted through the normal competitive bid process with a firm experienced in such consumer studies to field this research project. This contracting process is complete.

Iberdrola Renewables: Iberdrola Renewables expressed general support for the overall objective of the Green Guides – to ensure the "honesty, accuracy, and integrity of environmental marketing claims."

b. Consultation Outside the Agency

FTC staff has consulted with staff at the U.S. Department of Agriculture National Organic Program, the FTC contractor for this project, IPSOS, and the FTC's survey consultant,

Iberdrola Renewables (#562-00007); and the Natural Marketing Institute (NMI) (#562-00005), available at <http://www.ftc.gov/policy/public-comments/initiative-562>.

Manoj Hastak, Ph.D., Associate Professor of Marketing at American University's Kogod College of Business Administration in Washington, DC.

(9) Payments and Gifts to Respondents

IPSOS will provide incentives to members of its Internet panel who will participate in the online study. Specifically, these incentives are similar to frequent flyer miles that can be redeemed for rewards. The total dollar value of the points that will be awarded to the 8,000 respondents of the Internet questionnaire will be \$7,200 (or an average of \$0.90 per person).

(10) & (11) Assurances of Confidentiality/Matters of a Sensitive Nature

The information collected will be kept anonymous. Information of a sensitive nature will not be collected. Responses to the study questionnaire will not include any identifying information and the FTC will not receive any information about the identity of individual respondents. Indeed, no identifying information, including email addresses, is collected from respondents or other individuals for the purpose of this study. The email addresses for respondents will be generated from the IPSOS Internet Panel database. When a respondent completes a study questionnaire, the respondent's email address is stored in the contractor's own Internet Panel database, and a unique ID number is then assigned to that email address. Respondents' responses will be stored in a separate database that includes the unique ID number, but not the underlying email address. Thus, the study database with participants' questionnaire responses will be anonymous. The contractor will not under any circumstances use any email address to retrieve response records.

The contractor also will be required to have sufficient procedures in place to prevent unauthorized access to respondent information, such as: storing personally identifying information on separate servers from questionnaire response data; using firewalls to secure those servers; and maintaining audit records of log-ins, file accesses, and other security incidents. Moreover, the proposed data collection will not include sensitive questions.

(12) Estimated Annual Hours Burden

Staff is revising certain prior assumptions,⁷ based on a more precise target population for completing the questionnaire and further consultation with its contractor regarding the anticipated response rate. IPSOS anticipates that 10 percent of those invited to participate in the study will complete the questionnaire. Accordingly, IPSOS might contact as many as 80,000 persons to achieve the study's goal of surveying 8,000 respondents.

⁷ See 79 Fed. Reg. 16,330 (Mar. 25, 2014).

As before, staff estimates that respondents to the Internet questionnaire will require, on average, approximately 20 minutes to complete. Staff will pretest the questionnaire with approximately 100 respondents to ensure that all questions are easily understood. Allowing for an extra three minutes for questions unique to the pretest, the pretest will total approximately 38 hours cumulatively (100 respondents x 23 minutes each).

For the full study, however, FTC staff now accounts in its estimates both for those who will complete the questionnaire and those who will not. Cumulatively, those completing it will require approximately 2,667 hours (8,000 persons x 20 minutes each). Staff projects that those who will prematurely end the process will do so in under one minute; thus, 1,200 hours, in total. [(80,000 total contacts – 8,000 persons completing the questionnaire) x 1 minute each]. Cumulatively, then, complete and partial surveying of 80,000 persons will total about 3,867 hours.

For the pretest, an additional 900 persons will prematurely end the process, which, cumulatively, totals an additional 15 hours.

Overall burden for the pretest and questionnaire would thus be 3,920 hours.

(13) Estimated Annual Cost Burden

The cost per respondent should be negligible. Participation is voluntary, and will not require any labor expenditures by respondents. There are no capital, start-up, operation, maintenance, or other similar costs to the respondents.

(14) Estimated Cost to the Federal Government

The total cost to the Federal government for the information collection will be approximately \$169,027. Staff projects it will cost \$97,888.00 to pay IPSOS to review the study questionnaire, program it into an online format, execute the pretest and online study, and analyze and report the data. The estimated cost of FTC staff time is \$71,139.⁸ This is necessarily an estimate because several factors in this calculation may vary, including the amount of staff involved and the actual time required.

⁸ This estimate is based on 900 hours of staff time (Attorneys: 10 hours per week x 21 weeks x 3 attorneys = 630 hrs. x \$ 90.3 per hr. = \$56,889; Economists: 10 hours per week x 15 weeks x 1 economist = 150 hrs. x \$95 per hr. = \$14,250).

(15) Program Changes or Adjustments

Not applicable. This is a proposed new study.

(16) Plans for Tabulation and Publication

The projected duration of the information collection is approximately eight weeks. The FTC staff will consider publication of the results following the project's completion.

(17) Exception to Display of Expiration Date for OMB Approval

Not applicable. The FTC will display the expiration date alongside the assigned OMB control number on the emails recruiting panel members to participate in the survey and also on the first screen of the actual study instrument.

(18) Exceptions to Certification

Not applicable.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

(1) Description of Study Design, Respondent Universe, and Sampling Methodology

Because environmental marketing claims are so pervasive and a wide segment of the U.S. population likely is exposed to these ads, the research targets a broad sample of consumers. The study will use a nationwide Internet panel to identify potential respondents and the questionnaire will be administered online. The FTC will work with its contractor, IPSOS, which has substantial experience assessing consumer communications using Internet protocols and alternative protocols. This expertise should be helpful in designing the research and administering the study. By using random assignment across treatment groups, FTC staff believes the research will provide useful information about whether consumer perception of the environmental marketing claims of interest differs across the various scenarios of product origin and composition the study will examine.

a. Study Design

The study's primary focus is to gather information about respondent perceptions of two specific types of environmental marketing claims: "recycled content" claims for products made from material recovered from a manufacturing process ("pre-consumer"), and "organic" claims for certain products. The study will have a separate part for each of these claims. For each part, the study will randomly assign respondents to one of several groups. Each group of respondents will view only one product, claim, and scenario combination. The FTC staff will

compare responses across groups to determine whether differences in the product, claim, and scenario presented elicit different responses.

To determine what types of manufacturing scenarios are consistent with consumer perception of a “recycled content” claim, the first part of the study will present respondents with a product, a claim, and a short description of a particular manufacturing scenario. The study will then ask respondents whether they agree or disagree that the claim accurately describes the product in question. The manufacturing scenarios will include one in which the product is made entirely from post-consumer material, one in which the product is made entirely from virgin material, and four in which the product is made from pre-consumer material, with varying details of the manufacturing scenario. Each group of respondents will view only one product, claim, and scenario combination. These responses will be compared across groups to determine how the given manufacturing scenarios vary in their consistency with consumer perception of the given claim. The control scenario will be that in which a product is made entirely from post-consumer recycled material and carries the unqualified “recycled content” claim. This scenario is appropriate to serve as the control because consumers are highly familiar with such products and should have highly consistent views that a “recycled content” claim accurately describes such a product. Responses to this scenario will establish a baseline for comparison with responses to other manufacturing scenarios with the same product and claim. The comparisons will reveal differences, if any, between the control and other scenarios in the proportion of consumers who perceive the claim to be accurate. In addition to the unqualified claim, the study will alternatively present the pre-consumer material scenarios with a qualified “pre-consumer recycled content” or “post-industrial recycled content” claim to test how accurately these alternative claims describe the product’s origin relative to the unqualified claim.

This recycling part of the study will test six manufacturing scenarios with the unqualified “Made with Recycled Content” claim. It will also test the four pre-consumer scenarios each with two qualified claims: “Made with Pre-Consumer Recycled Materials” and “Made with Post-Industrial Recycled Materials.” There will therefore be a total of 14 claim/scenario combinations. The study will test each of these claim/scenario combinations with three different products to determine whether responses are sensitive to the particular product framing, for a total of 42 product/claim/scenario cells. Given that the contractor will obtain responses from 8,000 consumers, approximately 190 respondents will fall into each product/claim/scenario cell. In addition to this main question, each respondent will also answer an initial open-ended question and one or two follow-up questions with the same product and claim framing to gather more information about their perception of the claim.

The second part of the study addresses claims for products advertised or labeled as “organic” that may fall outside of USDA’s existing National Organic Program requirements (*e.g.*, textiles). This part of the study involves two main questions. After several initial open-ended and screener questions, each respondent will answer only one of these two questions so that the content of one question will not influence responses to the other question.

The first main question, shown to one set of respondents, will present a product with an “organic” claim and a simple description of the types of materials the product contains and in what proportion. It then asks respondents whether they agree or disagree that the “organic” claim accurately describes that product. The question will include one of three possible products, each with one of nine possible descriptions of product composition that vary in the proportions of organic and artificial material and how those types of material are described. The scenario in which 100% of the materials in the product satisfy a simple definition of “organic” serves as a control for comparison with scenarios with lower proportions and alternative descriptions of the materials in the product. The FTC staff will compare responses between the control and other scenarios to test for differences in the proportion of respondents who perceive the claim to be accurate.

The alternative main question, shown to a different set of respondents, will ask about product claims that either simply claim that the product is “organic” or that specify that certain parts or ingredients are “organic.” It will ask whether respondents interpret the given claim to mean that the entire product is organic, or whether the product may contain other non-organic materials. The FTC staff will compare responses to these different claims to determine whether consumers perceive any difference in their meaning regarding the product’s composition. This question will be tested with two different products, each with a different specific claim, to determine whether responses are sensitive to the product and the specific claim used.

For two of the three non-agricultural products tested, subsequent questions will ask respondents whether they believe “organic” claims for the products are regulated by the government and whether that regulation includes inspection of each unit of the product. Respondents will see either a version of these questions that asks specifically whether the USDA regulates these products, a version that asks more generally whether the products meet some government standard, or a version that asks whether a different claim (*e.g.*, “refreshing scent”) implies that the products meet some government standard. The FTC staff will compare responses to these different versions of the question to determine whether “organic” claims are more likely to imply government regulation than other product claims for non-agricultural products.

Respondents presented the first main question will be divided into 27 cells, with each cell using a different combination of product and scenario. Respondents presented with the alternative main question will be divided into 4 cells, with each cell using a different combination of product and claim. Combined, this study design divides the overall sample into 31 cells. Given the total sample of 8,000 respondents, approximately 260 respondents will fall into each of these cells.

b. Sampling Frame

After considering the costs and benefits of various data collection methods, the FTC staff has concluded that the most efficient way to collect the data needed to meet the research objectives within a feasible budget is to employ an Internet panel with nationwide coverage. The FTC has contracted with IPSOS to design an Internet study that, while not technically representative of the nation as a whole, nonetheless reflects the views of a broad population.

The sampling frame for this study encompasses members of the contractor's Internet panel. The IPSOS Internet panel consists of more than 800,000 individuals drawn from throughout the country, derived from a series of convenience sampling procedures, rather than true probability sampling. Panel members typically receive no more than 4 invitations per month to participate in research projects. As also discussed in Part A of this Supporting Statement, FTC staff, in consultation with its contractor, has determined that a screening sample of up to 81,000 respondents will be needed to ensure 8,100 completed responses – 100 for the pretest and 8,000 for the main study.

With the volume of responses needed, and to assist in reaching hard-to-reach groups who have lower than average response rates to online surveys (such as young males), Ipsos will likely need to supplement the frame with sample provided from other online sample vendors. The vendors who work with Ipsos will all be regular partners who work with Ipsos on a wide range of Internet-based research projects, and have similar procedures (including incentive amounts) to those of Ipsos. The other panel providers that would be called on as needed will be Research Now, Survey Sampling International (SSI), and Global Market Insite (GMI). Ipsos will be responsible for monitoring the performance of these vendors and will limit their use to only that needed to supplement the Ipsos iSay panel.

The FTC staff understands that an Internet panel is not a nationally representative probability sample, and therefore recognizes that the study results will not be projectable to the general population. Accordingly, the study will focus on comparing respondent interpretations across various claim and scenario types and will not seek to project the percentage of the population at large that holds a particular view. The FTC staff will consider this point further in the ensuing analysis of the data and note this limitation in any discussion of the findings. Nevertheless, given that the study is part of a broader policy analysis considering information from this as well as other relevant sources, the Internet panel should be suitable for the study's purpose.

c. Sampling Methodology

The FTC has determined that a sample size of 8,000 consumers is appropriate for the study based on several considerations, including the funds available for the study, the cost of

different sample sizes, the number of claim, product and scenario cells into which the sample will be divided, and a power analysis.

The contractor will randomly allocate each of the 8,000 respondents to one of 42 cells in the first part of the study and, independent of their cell in the first part, randomly allocate to one of 31 cells in the second part. Therefore, each cell in the first part will contain approximately 190 respondents, while each cell in the second part will contain approximately 260 respondents. The primary issue to be examined in the study is whether the proportion of “positive responses,” *i.e.* responses that indicate that respondents agree that a specified claim accurately describes a product, differs significantly between control and comparison scenarios.

With a sample size of 190 per cell, there is better than an 80 percent probability of finding a statistically significant difference using a one-tailed test with a 5 percent significance level if the true difference between the proportions of positive responses in the control and comparison scenarios is at least 10 percentage points, provided the true proportion of positive responses in the control is 11 percent or less. If the true proportion of positive responses in the control is 22 percent or less, the power of a one-tailed 5 percent test is 80 percent or more provided that the true difference between the proportions of positive responses in the control and comparison scenarios is 12 percent or more.

With a sample size of 260 per cell, there is better than an 80 percent probability of finding a statistically significant difference using a one-tailed test with a 5 percent significance level if the true difference between the proportions of positive responses in the control and comparison scenarios is at least 8 percentage points, provided the true proportion of positive responses in the control is 10 percent or less. If the true proportion of positive responses in the control is 20 percent or less, the power of a one-tailed 5 percent test is 80 percent or more provided that the true difference between the proportions of positive responses in the control and comparison scenarios is 10 percent or more.

(2) Description of the Information Collection Procedures

As discussed more fully in Part A of the Supporting Statement, the FTC has selected IPSOS, a consumer research firm, to recruit 8,000 individuals 18 years of age or older for the study. The FTC’s questionnaire will include questions to understand how consumers viewing environmental marketing claims interpret those claims. The questionnaire will use both open-ended and closed-ended questions in seeking to determine how consumers interpret the various claims.

The procedure for administering the questionnaire will be determined in consultation with the contractor. It is expected that the contractor will develop an online program that will allow respondents to view appropriate questions and materials based on their answers to prior questions. In this way, an Internet methodology can be an improvement over mail

questionnaires, where respondents can preview questions and materials that are best asked in a controlled sequence.

The contractor will provide the FTC with raw data, as well as tabulated data. FTC staff economists will conduct all statistical analyses of the data.

(3) Methods to Maximize Response Rates/Reliability of Sample Data

The existing Internet panel used for sampling consists of people who have expressed interest in sharing their opinions via the Internet and who do so regularly. To help ensure that the participation rate is maximized, FTC staff and/or the FTC's contractor will:

- Design an experimental protocol that minimizes burden (short in length and clearly written);
- Test the draft protocol with a pretest of 100 respondents to ensure that the protocol minimizes burden, and will then refine the protocol as appropriate;
- Administer the experiment to individuals who have expressed interest in participating in Internet studies; email reminders to respondents who do not complete the protocol soon after the original invitation to participate is sent; provide incentives similar to frequent flyer miles that can be redeemed for rewards; and
- Provide contact information where respondents may obtain help in the event of technical difficulties when attempting to complete the questionnaire.

(4) Testing of Procedures or Methods Undertaken

Again, staff will pretest the questionnaire in the online format using 100 respondents to ensure that all questions are easily understood and that the online procedure is sufficient to generate reliable data. This pretest is also discussed in Part A and is part of the collection of information for which staff seeks OMB approval.

(5) Individuals Consulted on Statistical Aspect of the Study

The study design has been reviewed internally by James A. Kohm, Associate Director of the Enforcement Division, Bureau of Consumer Protection (202-326-2640); Laura Kim, Assistant Director of the Enforcement Division, Bureau of Consumer Protection (202-326-2215); Laura Koss, an attorney in the Enforcement Division, Bureau of Consumer Protection (202-326-2890); Julia Ensor, an attorney in the Enforcement Division, Bureau of Consumer Protection (202-326-2377); Hampton Newsome, an attorney in the Enforcement Division,

Bureau of Consumer Protection (202-326-2889); Keith B. Anderson and Matthew Jones, economists in the Bureau of Economics (202-326-3428 and 202-326-2253, respectively); and Manoj Hastak, Ph.D. (202-326-2613), a faculty member in the Kogod School of Business at American University and a consumer research consultant with the Bureau of Consumer Protection's Division of Advertising Practices. Dr. Hastak has served as a consultant on experimental and survey studies for the FTC on numerous occasions. The contractor, IPSOS, is experienced in conducting statistically rigorous Internet-based studies. The contractor has conducted numerous studies using its Internet panel in the last five years.