

Top10 Sticker: A Sufficiency and Efficiency Purchase Guide in China

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Abstract

Topics: Lifestyle and consumer behavior

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In the past 10 years, Chinese government has implemented mandatory energy label that covers 28 product categories and financial incentive programs to encourage consumers to purchase energy efficient products. But information such as Energy Efficiency Index (EEI) and technical terms lowered consumers' interest to read and sometimes even confused consumers.

This paper introduces an intuitive purchase guide, Top10 Sticker, which was developed by Top10 (a Swiss oriented NGO focusing on energy efficiency) in China and deployed in 300 flagship stores of China's biggest appliances retailer chain (GOME) in megacities. The design and revision of this sticker were based on Top10's field study in the last two years. Factors such as data readability, life cycle cost and sufficient usage recommendation are integrated to make it a more intuitive tool compared to China mandatory energy label. A survey covering more than 10,000 consumers was carried out by Top10 to better understand Chinese consumers' decision-making process and the key findings are introduced.

These stickers are updated every 6 months to adapt to market changes. Due to the increased market share of big-sized appliances in China, sufficiency issues were tackled and communicated to consumers in a friendly way. At the same time, training programs were designed and in-store salesmen were trained to better explain the sticker and answer consumers' questions.

This paper concludes with suggestions to improve Chinese mandatory energy label and options to encourage retailers to sell energy efficient products and influence consumers to buy and use them reasonably.

Introduction

The total energy consumption of China is accounted for 22% of world's whole consumption [1]. In 2014, household energy consumption in China is 693TWH, 2.2% more than the number in 2013 and it's expected to keep increasing [2].

Chinese government has implemented a variety of policies and rebate programs to tackle increasing trend. On 16th May 2012, 'State Public Service System 12th 5-years plan' launched a 26.5 billion RMB subsidy program to promote 'energy efficient' household appliances for one whole year [3]. But for some products categories, 90% product models are eligible for the subsidy, which is against the original purpose of this subsidy program: to promote best energy efficiency products and encourage consumers to buy more efficient appliances.

Top10 China raised 5 points regarding how to subsidy EE products in July, 2012[4], including: subsidy should only go to top efficiency products and to encourage consumers to purchase those products, life-cycle cost should be mentioned. Based on these 5 points, Top10 developed an independent version of label: Top10 Sticker.

To make this sticker visible and useful for consumers, Top10 made contact with two biggest appliances store chains in China, one of them showed interests. In March 2013 Top10 China signed a MOU with Gome. Gome is China's largest household appliances store chain, it has more than 1,700 stores and 60 billion RMB sales value annually. The MOU contains 4 parts of cooperation and this paper focuses on one of them: practical studies of Top10 stickers in 300 flagship Gome stores in 4 biggest cities in China: Beijing, Shanghai, Guangzhou and Shenzhen from March 2013 to December 2014.

China Energy Label

China has a mandatory 'China Energy Label' which covers 34 products categories [5], most of which are household appliances, such as: air conditioners, televisions, washing machine, refrigerators, water heaters etc.



Photo1: Mandatory China Energy Label for refrigerators

The mandatory Energy Label shows in which energy level the product is (level 1 to 5, level 1 is the most efficient while level 5 is the least), and the label contains energy related data such as 'energy efficiency ratio', 'input power', 'seasonal energy efficiency ratio (SEER)'. Some technical data is difficult to understand for general consumers.

Also Energy Label updates every 2 to 3 years, while products in market update much faster.

Design the Sticker

In February 2013, Top10 China started to design Top10 energy saving stickers. The aim of the sticker is to be a useful complement of Energy Label and it should be: easy to read, focus on best efficient products, cover life-cycle cost and update along with market change

First version of Top10 stickers was produced and applied on 1st March 2013. This version is valid for 6 months until 31st August 2013.



This sticker covers 5 product categories:

TVs
Refrigerators
Washing machines
Air conditioners
Water heaters

Photo 2: Top10 in-store sticker (version 1)

For every single product sticker, the following information was provided to consumers:

- 1: product information
- 2: energy consumption in 5 years. (In RMB, not in KWH)
- 3: energy saving in 5 years (In RMB)
- 4: sufficiency information (suitable for what sized household and room, etc.)

In each category, Top10 selected around 20 products and in total around 100 product stickers. Those stickers were applied in 300 Gome stores in Beijing, Shanghai, Guangzhou and Shenzhen (4 biggest cities in China) with the support of Gome headquarter.

The information contains in the sticker transfers energy saved in Kilowatt-hours into money saved. It's easier to understand and more direct for consumers.

Also those stickers give advice for a sufficient phrasing. E.g.: a 220L capacity refrigerator is recommended for households with 2-3 person; a 40 inch sized television is recommended for living rooms with 3.5-4 meter watching distance. The purpose is to advice people to buy not only efficient products, but also sufficient products for their households.

Product type and technical data were also provided in the sticker but using smaller font.

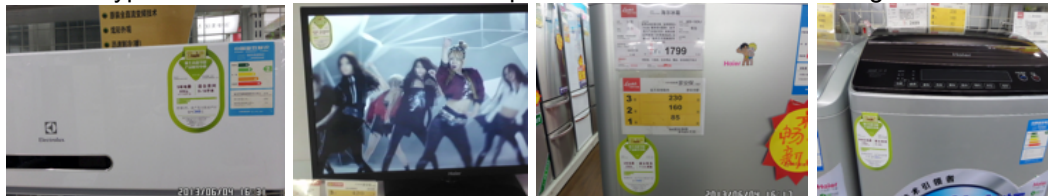


Photo 3: Products in Gome stores with Top10 stickers, 2013.05, HUANG Luting, Top10 China

Development of Sticker

To better understand consumers' needs, Top10 worked with 'China Consumer Newspaper' in June 2013, sent out a questionnaire to research consumers' opinions about mandatory energy label and how they make decisions when they are making a purchase.

12,519 consumers participated. 65% consumers never check the data on energy label because they couldn't understand; 85% consumers will consider life cycle cost if they were told about it. There is also some basic confusion such as: 25% consumers think if a product has an energy label, it means it's an energy efficient product; 27% consumers even think level 5 is the best energy efficient.

The research indicated that although the mandatory China Energy Label has been running for over 9 years since 2004, there is still a number of consumers are not aware of it, or not completely understand it. The most important finding of this research is that consumers are not sensitive to the technical data showing on the label, because for most of them it's difficult to understand what those data means.

These findings are consistent with the principle of Top10 sticker: easy to read; life-cycle cost and only focus on best products.

Also a small-scaled face-to-face survey was carried out with 40 Gome salesmen, who have the first hand experience dealing with consumers in store. They gave a lot practical suggestions, such as: in the sticker, a product's total energy consumption within 5 years was calculated but for consumers, annual energy consumption might make more sense; for some products, the period to calculate total energy saving should be adjusted to fit consumers using habits. 32 salesmen thought this sticker is a good help to both sell products and help consumers.

On 15th September 2013, the 2nd version sticker was released. New version was valid from 15th September 2013 to 31st March 2014. The outlook and structure remains but there were some mineral changes on energy consumption and energy savings, for instance, energy consumption data has changed from 5 years to 1 year, according to salesmen's feedback.



Photo 4(left): Top10 in-store sticker (V2)



Photo 5 (right): Top10 in-store sticker (V3)

On 30th June 2014, the 3rd version sticker was applied and valid until 31st December 2014. The new version had a new color scheme because Top10 China changed its logo and color. Besides this, there were 2 main changes:

- 1: Add a QR code. Consumers can scan the QR code and be directed to Top10 website to check more details.
- 2: The money saving information is more visible. This is the most interesting information for consumers.



Photo 6: Products in Gome stores with Top10 stickers, 2014.08 by: ZHAO Feiyan, Top10 China.

The market influence of Top10 stickers

Because of business confidential consideration, the detailed sales data is difficult to obtain from retailers, but they provided sales ranking list before and after the sticker period. In total, 55% of Top10 labeled products' ranking is increased, 43% is decreased and 2% remains. This result is also influenced by market change, seasonal promotion and other elements.

From the feedback of salesmen, people who noticed Top10 stickers showed interests and the life cycle cost saving will especially influence price-sensitive consumers.

Also in the June 2013 consumer research was very encouraging that 89.5% consumers indicated that besides government's mandatory label, the independent, third party advice is valuable and needed when they are making decisions.

Learning and Conclusion

Sticker	Number of product category	Number of product model	Valid days
Version 1	5	96	184
Version 2	5	95	196
Version 3	5	106	185

From 1st March 2014 to 31st December 2014, this in-store, on-product Top10 sticker was implied for 565 days, on 95-106 product models in 5 main household appliances categories, it covered 4 main cities in China.

Top10 sticker contains two important messages: sufficiency and efficiency. It advises consumers to buy energy efficient appliances that are sufficient their household needs. It calculates the total energy saving while using a certain product, to counterbalance a relatively higher buying price.

To better understand and develop the sticker, research of consumers and salesmen were carried out and some valuable suggestions are taken in improving the next version sticker.

From the feedback of salesmen, the consumer survey result and sales data, we can say Top10 sticker is a useful tool for consumers to identify best products and to make sufficient and efficient purchase, and it's very important to have a third party independent voice beside mandatory Energy Label. The sticker also helps on selling products but the influence is not very significant.

There are also some inadequacies:

1: Top10 sticker focuses only on best efficient products and selects around 20 market-available product models from each category. But in practical, it is very unlikely to have all the 20 models displayed in one store because space in store is limited, manufacturers will only choose what they want to promote most to display in store. Especially in different cities, branch stores' display preference vary a lot.

2: Manufacturers are not encouraged enough. In Chinese household appliance retailer stores, the normal situation is manufacturers send their staff to sell products in store, together with retailer salesmen. It's like a 'stores in store'. The cooperation was between Top10 and retailer, there was no direct communication between Top10 and individual brands. If manufacturers were more involved and gave focused display or special promotion to products with Top10 stickers, the influence will be emphasized.

In conclusion, Top10 sticker is a useful tool for consumers to identify the best energy efficient and sufficient appliances and it's a complement for mandatory Energy Label. It's helpful for retailers because it's a new selling point with third-party endorsement and it's useful for consumers because it provides easy and unbiased recommendation. How to involve manufacturers and how to select products will need to be developed in future.

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