

III. Do not approve the draft ANPR.

Signature

Date

IV. Take other action (please specify):

Signature

Date



UNITED STATES
 CONSUMER PRODUCT SAFETY COMMISSION
 WASHINGTON, DC 20207

Memorandum

Date: June 19, 2001

TO : The Commission

THROUGH: ~~John~~ Stevenson, Acting Secretary *ASB*
 Michael S. Solender, General Counsel *MSS*
 Thomas W. Murr, Jr., Acting Executive Director *TM*
 Alan H. Schoem, Assistant Executive Director, EXC *AHR*

FROM : Marc J. Schoem, Director *MJS*
 Recalls and Compliance Division, EXC

SUBJECT : Product Safety Owner Card Proposal

INTRODUCTION

The Consumer Product Safety Commission conducts around 300 product safety recalls a year. We continue to be concerned about the effectiveness of product safety recalls at the consumer level. Previous Commission research as well as anecdotal data clearly show direct consumer contact is more effective in motivating consumer response to a product recall. Recalling companies that maintain product purchase data, e.g., product registration cards, warranty cards, rebate cards, are able to efficiently directly notify product owners of a recall. Consumer product manufacturers do not always include product registration cards with their products.

Reasons for this include a low return rate by consumers and difficulty in processing such cards. A number of factors contribute to this low response rate, including the inclusion of requests for marketing and personal information in these cards. What is clear to the staff is that the return of such cards would assist manufacturer's in notifying consumers in the event of a product safety recall. If manufacturers had direct notice capability they would be less reliant on other less direct notification measures designed to inform consumers of product safety recalls.

BACKGROUND

Once a company agrees to undertake a voluntary recall, the staff seeks a comprehensive plan that reaches the entire distribution chain including owners of the unsafe product. The company designs and the staff reviews and approves each communication to notify recalled product owners and to motivate them to respond to the recall and take the action requested by the

NOTE: This document has not been reviewed or accepted by the Commission.

Initial *MJS* Date 6/19/01

CPSC Hotline: 1-800-638-CPSC(2772) ★ CPSC's Web Site: <http://www.cpsc.gov>

CPSA 6 (b)(1) Cleared

No Mfrs/PrvtLbns or
Products Identified

6-19-01 ASB

company. A description of the elements of a Corrective Action Plan is set forth at 16 C.F. R. Section 1115.20(a). The objectives of a recall are:

1. To locate all defective products as quickly as possible;
2. To remove defective products from the distribution chain and from the possession of consumers; and
3. To communicate accurate and understandable information in a timely manner to the public about the product defect, the hazard, and the corrective action.

Companies need to design all informational material in a way that motivates the media to publicize recalls and consumers to act on the recall. The Commission staff, in developing comprehensive corrective action plans with the recalling companies, relies greatly upon the media and retailers to alert consumers to the dangers of the unsafe products. This is because the names of the purchasing consumers generally are not known to the manufacturer. Where names are known, it is generally less than 7% of the total products produced and distributed based upon information received from companies maintaining such lists.

We are concerned about additional incidents, injuries and deaths as a result of recalled products not being corrected. Recall Round-up, a yearly focus on the more significant recalled products that may still be in homes, was developed for the express purpose of getting recalled products out of consumer's homes. There have been a number of highly publicized deaths that have occurred to infants as a result of a recalled product not being remedied. These include the Creative Plaything's Indoor Gym House in the early 1980's and more recently the Kolcraft Playskool Travel Lite Crib where consumers did not learn of the recall and additional deaths to infants resulted.

CONSUMER NOTICE

Compliance and the Office of Public Affairs continues to explore new and innovative methods of consumer notification to reach as many owners of recalled products as possible, such as the broader use of video news releases, the use of radio broadcasts, and web site posting. Notwithstanding these efforts, there continues to be gaps in the notice that reaches owners of recalled products, generally as a result of the indirect method of notification that is used to reach them. We believe recalls will be more effective if firms are able to directly notify consumers of a recall. If a Product Safety Owner Card were required to accompany products such as counter top appliances and juvenile products, this would be a significant step in increasing direct notification of consumers in the event of a recall. Counter top appliances and juvenile products, for example, are suitable for such direct notification since there are a large number of recalls in both of these product areas. Many manufacturers of counter top appliances presently include a product registration card of some form with some of their products. Juvenile products are used by a vulnerable population that is unable to protect itself and a means of direct notification in the event of a product safety recall is critical. There are a number of high profile significant deaths and injuries with these types of products. They tend to be more durable and have longer use and

their return in product safety recalls is generally low without direct mail notification. Over the last couple years CPSC has seen recall effectiveness rates in these two product areas reaching around 25%. Other product areas may also lend themselves to direct mail notification in the event of a product safety recall.

When a company has a return card and direct mail capability, such as a catalogue sale or major appliance, we generally see a higher return rate approaching in excess of 90%. The staff is monitoring a number of recalls involving the sale of consumer products through catalogues and by television. As a result of the name and address of the owner being known to the recalling company, effective and timely notification and replacement was possible. The inclusion of a owner registration card with products like counter top appliances and juvenile products would aid in alerting consumers to potential hazards in the event of a product safety recall.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

The National Highway Traffic Safety Administration (NHTSA) has required product registration cards on child safety seats used in motor vehicles since March, 1993. Congress required registration of child safety seats as a result of low numbers of consumers responding to NHTSA child safety seat safety recalls. The Child Safety Seat Registration Program requires manufacturers to: 1) supply each car seat owner with a self-addressed, stamped registration card, 2) permanently affix a label containing registration instructions to each seat, and 3) keep records of owners who return the cards for a period of six years after the date of manufacture of the car seat. NHTSA is in the process of evaluating the effectiveness of this requirement.

Each consumer name a manufacturer has for recall notification purposes is beneficial and could prevent future injuries and deaths. While a product registration card may not achieve 100% identity of the product owners, during the recall of several carrier/child seats tens of thousands of product owners who might not have otherwise been notified of the safety recall were notified by direct mail notification

CPSC INITIATIVE TO ENHANCE PRODUCT REGISTRATION

CPSC staff has been working with a number of industry members in an effort to determine whether modifications to existing product registration cards would further enhance consumer returns of recalled products.

Toro Corporation is including different versions of its registration cards with its electric leaf blowers to see if modifications to their existing registration card makes a difference in consumer return. There will be a total of 120,000 blowers included during the study period. Toro is analyzing the returned cards now.

According to data provided to the staff by Toro, the return rate for Toro postage paid cards presently included with their mowers sold at Toro dealerships is 75% - 85%, but that shrinks to 35%-40% for these mowers sold through mass retailer outlets. The return rates for the non-postage paid card is 10-20%.

Whirlpool Corporation has assembled a team to review the content of its product registration cards to see whether or not modifications could result in a higher return in the event of a recall.

Mattel has indicated some interest in developing a pilot project to assist in seeing whether the cards it uses on a limited basis could be enhanced to improve recall effectiveness in the event of a product recall.

PRODUCT SAFETY OWNER CARD

The staff proposes for Commission consideration that two product groups, counter top appliances and juvenile products, be required to include a Product Safety Owner Card that would be used in the event of a product safety recall to notify the owner of the recall. The purchaser of the product would voluntarily complete the Product Safety Owner Card. Many counter top appliances and juvenile products already come with some type of product registration card so that the firm may already have mechanisms set up to insert such a card with their products (***Tab A***).

We propose that the Product Safety Owner Card included with consumer products incorporate these recommendations made by CPSC Human Factors staff to further increase consumer return of these cards (***Tab B***).

1. The card is to be standard size format to make it easier for consumers to recognize and fill out.
2. A minimum amount of information will be requested so that it is more likely the card will be completed.
3. No marketing or personal information will be asked since the cards only purpose is for use in an official recall notification.
4. The purpose of the card will be clearly stated for use in the event of a product safety recall.
5. Information on the card is to be presented in a clear and concise manner.
6. The card would be pre addressed and postage paid.
7. The card should motivate consumers to return it to the manufacturer by indicating it is for product safety purposes.
8. The card should be a distinct color so as to separate it from other marketing cards or informational cards. A color such as "hunter orange" or dayglow would be easily recognizable.
9. The edges of the card should be blocked so as to identify this card in a stack of other cards.

10. The card's design should draw attention and stand out from the rest of the packing materials in the box
11. The cards should be preprinted with the model and serial number as appropriate so all the consumer has to add is his or her name and address.
12. The card should be large enough so the type can be easily read.
13. There should be ample space for the consumers name and address.
14. The Product Safety Owner Card should be attached to the product itself, where possible.
15. Use of an icon or signal word or words should be included on the Product Safety Owner Card to separate it from other packing, assembly, installation and use instructions.

WAYS TO FURTHER INCREASE RETURN OF PRODUCT SAFETY OWNER CARDS

We should encourage manufacturers to consider incentives to motivate consumers to return the Product Safety Owner Cards. These could include registration incentives such as coupons for product maintenance; discounts on other products; premiums; additional product literature; drawings or contests to win products, money or trips for the completion and return of the card. Other factors for manufacturers to consider could include use of a toll-free number to register the product and/or on-line web site product registration. These could complement the Product Safety Owner Card and may very well be a next logical step to the written Product Safety Owner Card.

RECOMMENDATION

The staff believes an advance notice of proposed rulemaking (ANPR) (*Tab C*) on the use of Product Safety Owner Cards would advance the Commission's effort to reach as many consumer owners of recalled products as possible. Requiring that such cards be included with the purchase of various consumer products enhances a firm's ability to identify product owners who could be exposed to serious injury and death in the event a product recall. Although the Commission is not required to use an ANPR to require firms to provide registration cards, we believe issuance of this ANPR in this case would further the discussion of the use of such cards and further heighten the need to identify product owners when a product safety recall is necessary. We believe issuance of an ANPR is appropriate to obtain further industry and consumer comments on this important tool to further increase product recall effectiveness in preventing injuries and deaths from unsafe consumer products.

TABLE OF CONTENTS

- TAB A*** Memorandum from Robert Franklin, Economist, Directorate For Economic Analysis, "Costs to Manufacturers of Product Registration Cards," June 1, 2001.
- TAB B*** Memorandum from Robert B. Ochsman, Ph.D., Director, Division of Human Factors, "Product Safety Owner Cards," June 1, 2001.
- TAB C*** Draft Federal Register Notice announcing "Requirements For the Establishment and Maintenance of Records of Purchasers of Certain Consumer Products; Advance Notice of Proposed Rulemaking, dated June 7, 2001.

TAB A



UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, DC 20207

Memorandum

Date: June 1, 2001

TO : Marc Schoem
Director
Recalls and Compliance Division, EXC

THROUGH: Ronald L. Medford *RLM*
Assistant Executive Director, EXHR

Warren Prunella *WP*
Associate Executive Director
Directorate for Economic Analysis

FROM : Robert Franklin *RF*
Economist
Directorate for Economic Analysis

SUBJECT : Costs to Manufacturers of Product Registration Cards

This memorandum discusses the costs that would be incurred by manufacturers to include a product registration postcard with each product shipped and to maintain a database of all owners that returned the cards. We are assuming that the registration card would be a postcard that solicits minimal information from the consumer, such as the consumer's name, address and phone number, and would not ask other questions that may make the consumer less likely to return the card, such as the consumer's income and hobbies.

Manufacturers will incur several types of costs to include product registration cards with each product and in maintaining a database of all owners who return these cards. The costs include the design and production of the card, the physical insertion of the card in the package, the postage for the cards returned by consumers, and record keeping for the returned cards. Additionally, there will be some administrative or overhead costs associated with the cards. The estimates in this memorandum are based upon limited information provided by manufacturers that have experience with this type of card.

The cost of designing and producing the cards will vary with the design specifications of the card. For example, a basic card on white card stock with black ink will cost less than a two-part card with colored ink or colored card stock. On a per unit basis, the cost per card is likely to be less than 10 cents, possibly as low as 2 cents. However, the costs may be higher if there are additional requirements, such as the use of more than one ink color or a requirement that the card be a multi-part card (for making duplicate copies).

The cost to insert the card into the product package or onto the product will be heavily dependent upon the individual situation of the manufacturer. In some cases, for example, where the registration card can be combined with other material that is being inserted into the package, the marginal cost of the registration card may be insignificant. In other situations, where the serial number is preprinted on the card and care must be taken to ensure that the card with the correct serial number is attached to the correct unit, the cost may be higher. For example, if it takes one worker earning \$10/hour one hour to insert the card in 50 packages (including the time required to ensure the serial number of the card and product match), then the per card cost would be about 20 cents.

On a per unit basis, the cost of the return postage is expected to be the single largest cost for the cards actually returned and may range from about 20 to 30 cents. Currently the cost for mailing a postcard is 20 cents. However, the postage cost for the returned registration cards is likely to be somewhat over the basic postcard rate because the Post Office must record each card mailed so that the manufacturer can be properly charged.

After the cards are returned through the mail, there will be costs involved in handling the returned cards, designing a database in which to enter the data, entering the data, and storing the data for the required length of time. For example, if a data entry clerk earns \$10 an hour and can enter 50 to 100 cards in an hour, the cost per card entered would be about 10 to 20 cents. The cost of the software required for the database and the electronic storage of the data is low and probably insignificant on a per card basis.

In addition, there will be some administrative and overhead costs associated with product registration cards. These costs include the cost of monitoring the inventory and the printing of the cards and the additional supervisory or contract management costs associated with managing the additional labor required for inserting the cards into the product package and in entering the data on the returned cards. On a per unit basis, these costs are likely to be relatively low.

The table below summarizes the possible costs to manufacturers of including product registration cards with each product and maintaining a database of all owners who return the cards. The per unit cost for cards that are not returned by the consumer may range from a low of about 2 cents to as much as 30 cents. For the cards returned by the consumers the total cost per card may range from a low of 32 cents to a high of 80 cents. The costs may be somewhat higher if the per unit costs of the overhead and administrative costs are higher than expected.

**Estimated Costs Associated with Product Registration
Cards (*Costs in cents per unit*)**

	Low	High
Costs Applicable to All Cards		
Design/Printing of Card	2	10
Insertion in Product Package	0	20
<i>Total</i>	2	30
Costs Applicable Only to Returned Cards		
Postage	20	30
Data Entry	10	20
<i>Total</i>	30	50
Total Cost for Returned Cards	32	80

TAB B



UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, DC 20207

MEMORANDUM

June 1, 2001

To: Marc Schoem
Director
Recalls and Compliance Division, EXC

Through: Ronald Medford *RLM*
Assistant Executive Director
Office of Hazard Identification and Reduction

Hugh McLaurin *HML*
Associate Executive Director
Directorate for Engineering Sciences

From: Robert B. Ochsman, Ph.D., CPE *RBO*
Division Director
Division of Human Factors

Subject: Product Safety Owner Cards

INTRODUCTION

Research has shown that direct consumer contact is effective in motivating the appropriate consumer response to a product recall. Product manufacturers with consumer product purchase data on file are able to quickly and easily complete effective recalls of hazardous products. Product manufacturers have traditionally depended upon the return of product registration cards by consumers following product purchase in order to obtain that data. However, it is well known that the return rate is extremely low, and that this occurs for many reasons. The primary focus of this memo is to discuss human factors issues related to product registration cards.

PRIOR COMMISSION REPORTS

Recall Effectiveness Study, May 1978:

One primary objective of this study was to identify variables that are associated with high levels of recall effectiveness. For this study, recall effectiveness was defined as a suspected unit having been examined and corrected where necessary. The analysis identified seven variables that exhibited strong relationships with recall effectiveness at the consumer level:

- Product Price

- Product Life
- Number of Units
- Time in Distribution
- Percentage of Units in Consumers' Hands
- Recall Action
- Level of Direct Consumer Notification

The study found that recalls are generally very effective when attempts are made to notify consumers directly, either by mail, telegram, telephone or personal visits. Recalls where repairs are made in the consumer's home are the most effective. In those cases, more than 90% of the units are normally examined. Recalls with no or very limited directed notification will normally be less than 20 percent effective unless the recall involves a very expensive unit or the recall is limited to a specific state or "urban area".

Report of the Recall Effectiveness Task Force of the Consumer Product Safety Commission, August 25, 1980:

The "Report of the Recall Effectiveness Task Force of the Consumer Product Safety Commission", August 25, 1980, states that targeted notices often produce greater results than general notice. The report further notes that most observers believe that the optimal form of recall notice to consumers is direct individual notice of the sort commonly available to the National Highway Traffic Safety Administration (NHTSA) in conducting automobile recalls.

NON-CPSC REPORTS

National Highway Traffic Safety Administration: Child Safety Seat Registration:

Registration of child safety seats is designed to increase the number of consumers responding to recalls of faulty seats. Beginning in March, 1993, the Child Safety Seat Registration Program requires manufacturers to: 1) supply consumers with self-addressed, stamped registration cards; 2) permanently affix labels containing registration instructions to the seat; and 3) keep records of owners for a period of six years after the date of manufacture.

A program to assess the effectiveness of the registration system was initiated in 1998. The objectives of the program are to determine the percentage of safety seats that are registered by consumers, compare the percent and rate of responses to recalls before and after the registration requirements took effect, ascertain consumers' perceptions of the importance of registration and recalls, their awareness of the registration cards, and the reasons why they did or did not respond to recalls, find out how seat loaner programs deal with seat registration and recalls, and find out what information automotive dealers provide consumers about seat registration and recalls.

The method NHTSA is using to collect this data is to compute seat registrations as a percentage of sales, using data supplied by the seat manufacturers, if possible, or data obtained in

a consumer survey. The numbers of seats recalled and repaired will be compared during given periods before and after registration requirements took effect, using data compiled by NHTSA Safety Assurance. If the post-registration repair rates are significantly higher than the pre-registration repair rates, then the standard can be considered effective.

NHTSA will survey safety seat owners to discover why consumers responded the way they did to registration and recall efforts (e.g., no knowledge of a registration card or a recall, perceived importance of the reason for recall, complexity of the recall process, past injury to a child in a faulty seat, the seat is no longer used, etc.).

NHTSA also plans to survey safety seat manufacturers to determine what, if any, efforts are made to educate or inform consumers of the seat registrations. In addition, NHTSA will survey retailers to determine if they (1) provide consumers with any information about child safety seat registrations; (2) are provided information from the manufacturers concerning the seat registrations. Loaner programs will be surveyed on how they register seats and what information they supply to recipients.

The results of that study have not been published at this time.

THE CURRENT CPSC INITIATIVE TO ENHANCE PRODUCT REGISTRATION

Based on prior research, it is clear that direct contact enhances the effectiveness of a product recall. One of the most promising options for improving recalls is through enhancing registration card response rates. When customers return the cards, manufacturers have a database upon which to draw in the event that a recall should be necessary. Critical to this effort, of course, is getting customers to return the registration cards. Human Factors (HF) staff have identified some of the hurdles in getting customers to return the cards. They are: 1) lack of understanding that the cards are important for safety; 2) cluttering the cards with demographic or marketing questions; 3) making the cards difficult to complete; and 4) requiring consumers to pay postage.

Human Factors Recommendations:

The HF recommendations for product registration cards are as follows:

1. There should be a standard size format to make it easier for consumers to recognize and fill out.
2. A minimum amount of information should be requested so that it is more likely the card will be completed.
3. No marketing or personal information should be asked since the card's only purpose is for use in an official recall notification.
4. The purpose of the card should be clearly stated for use in the event of a product safety recall.
5. Information on the card should be presented in a clear and concise manner.

6. The card should be pre-addressed and postage paid.
7. The card should motivate consumers to return it to the manufacturer by indicating it is for product safety purposes.
8. The card should be a distinct color so as to separate it from other marketing or informational cards. A color such as "hunter orange" would be easily recognizable.
9. The edges of the card should be blocked so as to identify this card in a stack of other cards.
10. The card's design should draw attention and stand out from the rest of the packing materials in the box.
11. The cards should be preprinted with the model and serial number of the product if appropriate. The objective is to require only the consumer's name and address.
12. The card should be large enough for consumers to read the type easily.
13. There should be ample space for the name and address.
14. The registration card should be attached to the product itself, where possible.
15. An icon or signal word or words should be included on the registration card to separate it from other packing, assembly, installation and use instructions.

Corporate Product Registration Research:

In support of the goal to enhance recall effectiveness, the Commission staff, in 1999, started a systematic analysis of the product registration card. The staff has worked to facilitate and encourage a series of demonstration projects by industry, all with the objective of better understanding how product registration might be improved.

We have worked with:

- Toro Corporation
- Mattel
- Whirlpool Corporation
- Brandstamp

Industry Projects

Industry Projects: Toro Corporation

The current Toro system: Toro uses both postage paid and non-postage paid cards. Postage paid cards are used on larger residential products such as tractors, lawn mowers, and snow throwers. The card has pre-printed model and serial numbers and no marketing research questions. The retailer fills out the card at the time of sale with copies of the card going to the customer and to the retailers. Most of these products are sold through power equipment dealers but some are also sold through mass retail outlets. There is a safety message on the card.

Non postage paid cards are used on smaller residential products such as electric trimmers and blowers. The model/serial number is blank and there are marketing research questions on the card. The customer fills out the card. Most products are sold through mass retail outlets.

Return rates: According to the data provided by Toro, the return rate for the postage paid card is 85%, but that shrinks to 35% to 40% for mowers sold through mass retail outlets. The return rate for the non-postage paid card is 10%-20%.

Toro plans in the future to enhance their registration data by supporting a retailer electronic submission system as well as setting up a customer electronic submission through the internet.

Toro's Registration Card Study: The Toro Corporation designed a study to assess the response rate of product registration cards which varied in design. For purposes of the study, they are using their electric leaf blower as a test product. The experimental design of the study involves 240,000 blowers. Toro is testing four different registration card designs. The objective of the study is to compare the product registration rates for each of the designs. Any significant differences in response rates among the groups would be attributable to the design of the registration card. Each card assembly consists of a 5" by 16" sheet folded around and stapled to the Toro operator's manual. A 4" by 5.5" section is separated by perforation marks and is the card that gets returned to Toro.

The four designs are:

1. Card A, the standard card with market research questions, customer pays postage.
2. Card B, same as A but no market research questions.
3. Card C, same as B (no market research) plus special language supplied by CPSC staff. ("The Toro Company and the US Consumer Product Safety Commission encourage you to return the attached...")
4. Card D, the same as card A with prepaid postage.

The data from this study are not yet available.

Industry Projects: Whirlpool Corporation

Whirlpool has assembled a team to review the content of its product registration cards to see whether or not modifications could result in a higher return in the event they have a recall.

Industry Projects: Mattel

Mattel has indicated some interest in developing a pilot project to assist in seeing whether the cards they use on a limited basis could be enhanced to improve recall effectiveness in the event of a product recall.

Industry Projects: Brandstamp

A new internet company, Brandstamp, has developed a technology that allows for easy capture of product registration data at the point of online sales. Other companies are expected to offer similar services.

Brandstamp's online registration form appears on the user's screen after an online purchase is confirmed. The registration card is already filled out with the pertinent shopper contact data and purchase information.

All the shopper needs to do is confirm the preprinted details, then click "continue" to proceed to the confirmation screen. The whole process is very smooth from the customer's point of view. There is no need to key in any additional data and everything in their shopping cart is automatically registered with one click. That one click guarantees shoppers that they will receive warranty information, safety recall notifications, and exclusive offers from the product manufacturer.

Brandstamp claims that the process produces a significant improvement in product registrations. According to a study cited by Brandstamp, (Opinion Research Corporation International – Caravan Research Study # 70913 – 1,026 telephone respondents, April 2000), nearly 80% percent of consumers offered on-line registration would complete the process if given the option to register instantly.

At this time, Brandstamp has only one client. The latest data that Brandstamp has supplied to the staff indicates that 67 percent of the online customers with that one client are registering their products with Brandstamp at the time of purchase. However, this data is based on very few transactions over a very short time period.

SUMMARY

Registration Card Design

Based on past research and on HF evaluation, there is an expectation that a registration card designed to HF recommendations could substantially increase the average return rate. The strongest argument for card redesign is to stress the card's function as a safety tool, and thereby enhance the perception among consumers of the merit of returning it.

Internet Registration

Internet product registration provides a low cost and effective way to maintain a consumer contact database.

TAB C

CONSUMER PRODUCT SAFETY COMMISSION

16 CFR Part 1150

Requirements for the Establishment and Maintenance of
Records of Purchasers of Certain Consumer Products;
Advance Notice of Proposed Rulemaking

AGENCY: Consumer Product Safety Commission.

ACTION: Advance Notice of Proposed Rulemaking.

SUMMARY: The Commission is considering requiring manufacturers, private labelers, and distributors of consumer products to create and maintain a system for identifying the purchasers of certain consumer products and to keep records of those purchasers. Such a system to identify purchasers would aid the company and the Commission in identifying and notifying purchasers of hazards associated with the products. The Commission believes that providing product registration cards with products may enable manufacturers to contact purchasers more easily and increase the effectiveness of product recalls. The Commission invites comments on the idea of providing such purchaser identification cards, the types of consumer products that should be included in such a program, and the mechanics of such a system, including any information on costs and effectiveness. The

Commission is interested in any other comments concerning product safety owner cards as well.

DATES: Comments should be received no later than _____ [insert date that is 75 days after publication in the **FEDERAL REGISTER**].

ADDRESSES: Comments should be captioned: "Product Safety Owner Card" and mailed to the Office of the Secretary, Consumer Product Safety Commission, Washington, D.C. 20207, or delivered to the Office of the Secretary, Consumer Product Safety Commission, Room 502, 4330 East-West Highway, Bethesda, Maryland 20814-4408, telephone (301) 504-0800. Comments may also be filed by telefacsimile to (301) 504-0127 or by email to cpsc-os@cpsc.gov.

FOR FURTHER INFORMATION CONTACT: Marc Schoem, Office of Compliance, Consumer Product Safety Commission, Washington, D.C. 20207; telephone 301-504-0408 ext. 1365.

SUPPLEMENTARY INFORMATION:

A. Background

The Commission oversees approximately 300 product safety recalls a year. Once a company agrees to undertake a voluntary recall, the Commission seeks a comprehensive plan that reaches the entire distribution chain, including consumer owners of the unsafe product.

The Commission uses many avenues to publicize recalls. It uses television, video news releases, newspapers, point of purchase posters, notices in pediatricians' offices and daycare centers, and CPSC's own website, for example. But these methods bypass many consumers who may very well heed the recall message if they received it.

The effectiveness of product recalls is a continuing concern of the Commission. When the Commission obtains a product recall the product comes off the store shelves and is no longer available for sale to consumers. However, this alone does not provide full safety. The biggest challenge is to remove recalled items from people's homes.

Previous research by the agency has clearly shown that direct consumer contact is dramatically more effective in motivating the appropriate consumer response to a product recall than other means. Product manufacturers with consumer product purchase data on file -- such as product registration cards, warranty cards, and rebate cards -- are able to quickly and easily complete effective recalls of hazardous products. Individual notice to purchasers of products that are the subject of corrective actions should greatly increase the percentage of purchasers who can be informed of a product hazard and of the repair, replacement, recall,

and warnings that would enable a consumer to avoid or minimize the risk of being injured.

B. Commission Authority

1. Notice and Recall of Substantial Product Hazards

The Commission has the authority (after the opportunity for a hearing) to require manufacturers, distributors, and retailers of consumer products that present a substantial product hazard to give notice of the hazard to purchasers of the product.

15 U.S.C. § 2064(c). Additionally, the Commission has the authority to require manufacturers, distributors, and retailers of consumer products that present a substantial product hazard to repair the product, replace it, or refund the purchase price. In the vast majority of cases, firms have elected to voluntarily give notice of the hazard and to provide for the product's repair, replacement, or refund.

The success of any remedial action depends on the ability to communicate the problem and the remedy to consumers who have purchased the product. Although public notice of a hazardous product and corrective action can reach a significant portion of the population, it is obvious that direct notice to each purchaser would reach a much larger portion.

2. Relevant Statutory and Regulatory Provisions

The Consumer Product Safety Act ("CPSA"), 15 U.S.C. 2051-2084, authorizes the Commission to require firms to obtain and keep a record of purchaser information. The CPSA provides, at section 16(b):

Every person who is a manufacturer, private labeler, or distributor of a consumer product shall establish and maintain such records, make such reports, and provide such information as the Commission may, by rule, reasonably require for the purposes of implementing this Act, or to determine compliance with rules or orders prescribed under this Act. Upon request of an officer or employee duly designated by the Commission, every such manufacturer, private labeler, or distributor shall permit the inspection of appropriate books, records, and papers relevant to determining whether such manufacturer, private labeler, or distributor has acted or is acting in compliance with the Act and rules under this Act.

15 U.S.C. 2065(b). Under this provision, the Commission is authorized to issue a rule requiring firms to take specific steps to obtain records of purchasers of consumer products and to keep those records in a readily retrievable manner.

C. Recall Effectiveness

The Commission is concerned that consumers may remain unaware of recalled products, and that injuries and deaths may result. For example, there have been a

number of highly publicized deaths that have occurred to infants as a result of a recalled product not being remedied. These include the Creative Playthings Indoor Gym House in the early 1980's and more recently the Kolcraft Playskool Travel Lite Crib where consumers did not learn of the recall, and additional deaths to infants resulted.

The Commission continues to develop new approaches to reach recalled products in consumers' homes. One example is Recall Round-up, a yearly focus on the more significant recalled products that may still be in homes. The Commission also seeks innovative methods of consumer notification, such as the broader use of video news releases, the use of radio broadcasts, and web site postings.

The Commission has conducted several studies on recall effectiveness. One such study in 1978 identified numerous factors that contributed to the effectiveness of a recall ("Recall Effectiveness Study," May 1978). The study also found that recalls are generally very effective when attempts are made to notify consumers directly, either by mail, telegram, telephone or personal visits. Recalls where repairs are made in the consumer's home are the most effective. In those cases, more than 90% of the units are normally examined.

Recalls with no or very limited direct notification will normally be less than 20 percent effective unless the recall involves a very expensive unit or the recall is limited to a specific state or urban area.

In the 1978 study, the recalled cases were divided into three categories: those with no direct consumer notification, those with limited notifications, and those where the percentage of consumers notified directly was greater than 30 percent. The recalls with no or limited direct notification generally had effectiveness levels in the 0 to 30 percent range. The exceptions were either local (limited geographic coverage) recalls; local recalls with point of sales warning or newspaper, radio and television warnings; or recalls of products with retail prices exceeding a thousand dollars.

D. Experience with Product Safety Cards

Logically, if a company has the names and addresses of product purchasers on hand, it can reach those consumers more quickly and easily to inform them of a recall than if it did not have that information. Some companies do provide registration cards or warranty cards with their products.

1. Child Safety Seat Registration

The National Highway Traffic Safety Administration ("NHTSA") requires product registration cards on child

safety seats used in motor vehicles. Since 1993, The Child Safety Seat Registration Program required manufacturers to: 1) supply consumers with self-addressed, stamped registration cards, 2) permanently affix labels containing registration instruction to the seat, and 3) keep records of owners for a period of six years after the date of manufacture.

NHTSA initiated a program to assess the effectiveness of the registration system in 1998. The objectives of the program are to determine the percentage of safety seats that are registered by consumers, compare the percent and rate of responses to recalls before and after the registration requirements took effect, ascertain consumers' perceptions of the importance of registration and recalls, their awareness of the registration cards, and the reasons why they did or did not respond to recalls, find out how seat loaner programs deal with seat registration and recalls, and find out what information dealers provide consumers about seat registration and recalls.

The method NHTSA is using to collect these data is to compute seat registrations as a percentage of sales, using data supplied by the seat manufacturers, if possible, or data obtained in a consumer survey. The numbers of seats recalled and repaired will be compared during given periods before and after registration

requirements took effect, using data compiled by NHTSA Safety Assurance. If the post-registration repair rates are significantly higher than the pre-registration repair rates, then the requirement can be considered effective.

NHTSA will survey safety seat owners to discover why consumers responded the way they did to registration and recall efforts (e.g., no knowledge of a registration card or a recall, perceived importance of the reason for recall, complexity of the recall process, past injury to a child in a faulty seat, the seat is no longer used, etc.).

NHTSA also plans to survey safety seat manufacturers to determine what, if any, efforts are made to educate or inform consumers of the seat registrations. In addition, NHTSA will survey retailers to determine if they (1) provide consumers with any information about child safety seat registrations; (2) are provided information from the manufacturers concerning the seat registrations. Loaner programs will be surveyed on how they register seats and what information they supply to recipients.

The results of that study have not been published at this time.

2. Industry Experience

CPSC staff has been working with a number of industry members in an effort to determine whether modifications to existing product registration cards would further enhance consumer returns of recalled products.

Toro Corporation is including different versions of its registration cards with its electric leaf blowers in an effort to see if modifications to the existing registration card makes a difference in consumer return. There will be a total of 120,000 blowers included during the study period. The returned cards are being analyzed now.

According to preliminary data provided to CPSC by Toro, the return rate for Toro postage paid cards included presently with its mowers is 75% - 85% when sold through specialty outdoor power products retailers, as most of them are. However, that rate shrinks to 35%-40% for mowers sold through mass retailer outlets. The return rates for the non-postage paid card is 10-20%.

Whirlpool Corporation issues warranty cards with every product it sells. Its current product registration card includes 16 demographic marketing questions. Its return rate on these warranty registrations is reportedly 25-30%. Whirlpool has assembled a team to review the content of its product

registration cards and determine whether or not modifications could result in a higher return in the event they have a recall of that product.

Mattel has indicated some interest in developing a pilot project to assist in seeing whether the cards it uses on a limited basis could be enhanced to improve recall effectiveness in the event of a product recall.

3. CPSC's Examination of Registration Cards

The Commission believes, based on prior research, that direct contact greatly increases the effectiveness of a product recall. One of the most promising options for improving recalls is through enhancing registration card response rates. When customers return the cards, manufacturers have a database upon which to draw in the event that a recall should be necessary. Critical to this effort, of course, is getting customers to return the registration cards. The Commission has identified at least some of the hurdles in getting customers to return the cards. They are: 1) lack of understanding that the cards are important for safety, 2) cluttering the cards with demographic or marketing questions, 3) making the cards difficult to complete, 4) and requiring consumers to pay postage.

The Commission has been gathering information on ways to reduce these obstacles. On March 23, 1999, the Commission held a forum to discuss how to improve recall

effectiveness. Agencies, companies, consumer groups, and consultants attended.

Registering a product over the internet may also greatly increase the ability to notify purchasers of safety recalls. On-line registration may offer a quick and easy way for purchasers to provide their contact information. It also could minimize the costs of maintaining and retrieving data. The Commission believes that on-line registration holds a good deal of promise for the future and warrants further examination.

E. Product Registration Card Program

Based on discussions at the recall effectiveness forum and other information, the Commission has identified certain characteristics of product registration cards that could increase the likelihood that consumers would return them. These are:

1. The card should be standard size format to make it easier for consumers to recognize and fill out.
2. A minimum amount of information should be requested so that it is more likely the card will be completed.
3. No marketing or personal information should be asked as the card's only purpose is for use in an official recall notification.
4. The purpose of the card should be clearly stated

- for use in the event of a product safety recall.
5. Information on the card should be presented in a clear and concise manner.
 6. The card should be pre-addressed and postage paid.
 7. The card should motivate consumers to return it to the manufacturer by indicating it is for product safety purposes.
 8. The card should be a distinct color so as to separate it from other marketing cards or informational cards. A color such as "hunter orange" or dayglow would be easily recognizable.
 9. The edges of the card should be blocked so as to identify this card in a stack of other cards.
 10. The card's design should draw attention and stand out from the rest of the packing materials in the box.
 11. The cards should be preprinted with the model and serial number as appropriate. The objective is to require only the consumers name and address.
 12. The card should be large enough for consumers to read the type easily.
 13. There should be ample space for the name and address.
 14. The registration card should be attached to the

product itself, where possible.

15. An icon or signal word or words should be included on the registration card to separate it from other packing, assembly, installation and use instructions.

The Commission believes that an effective product registration card program would require manufacturers to provide cards meeting these requirements along with the new product. The manufacturer would need to maintain a record of the returned cards for some period of time so that purchasers could be contacted in the event of a recall. A period of six years seems reasonable, but the Commission requests comments on what an appropriate record-retention period would be.

The Commission believes that it is appropriate for the program to focus on a category of products, rather than require product registration cards for every type of consumer product. The Commission believes the two best candidates are juvenile products and counter-top appliances. Each of these categories represents a large number of Commission recalls. Juvenile products are used by members of a vulnerable population, who are unable to protect themselves. A means of direct notification in the event of a recall of a juvenile product could be critical. There are a number of high-

profile significant deaths and injuries with these types of products.

As for counter-top appliances, many manufacturers of these products presently include a product registration card in some form with their products. Moreover, these products tend to be more durable and have longer use and life. This could increase the likelihood that consumers would return the registration cards. When a company has a return card and direct mail capability, such as a catalogue sale, for a major appliance we generally see a return rate approaching 90% effectiveness.

The Commission seeks comments on whether juvenile products or counter-top appliances would be most appropriate for a product registration program.

An example of a possible product registration card follows.



IMPORTANT!



(Company) and the U.S. Consumer Product Safety Commission encourage you to return the attached product registration card.

- Then, if your product ever needs to be fixed or if it has a safety problem, we'll know where to reach you.
- This way your product can continue to work for you – safely and efficiently – for a long time to Come.

NO POSTAGE
NECESSARY
IF MAILED IN THE
UNITED STATES

BUSINESS REPLY MAIL

POSTAGE WILL BE PAID BY ADDRESSEE

RETURN ADDRESS HERE

Manufacturers would incur several types of costs to include product registration cards with each product and in maintaining a database of all owners who return these cards. The costs include the design and production of the card, the physical insertion of the card in the package, the postage for the cards returned by consumers, and record keeping for the returned cards. Additionally, there will be some administrative or overhead costs associated with the cards.

The cost of designing and producing the cards will vary with the design specifications of the card. On a per unit basis, the cost per card is likely to be less than 10 cents, possibly as low as 2 cents. The cost to insert the card into the product package or onto the product will depend on the individual situation of the manufacturer. If the registration card can be combined with other material that is being inserted into the package, the marginal cost of the registration card may be insignificant. On the other hand, if it takes one worker earning \$10.00 an hour to insert the card in 50 packages, then the per card cost would be about 20 cents.

On a per unit basis, the cost of the return postage is expected to be the single largest cost for the cards actually returned and may range from about 20 to 30

cents. After the cards are returned through the mail, there will be costs involved in handling the returned cards, designing a database in which to enter the data, entering the data, and storing the data for the required length of time. The cost per card entered could be about 10 to 20 cents. The cost of the software required for the database and the electronic storage of the data and additional administrative and overhead costs associated with product registration cards, would likely be low on a per unit basis.

Based on these estimates, the per unit cost for cards that are not returned by the consumer may range from a low of about 2 cents to as much as 30 cents. For the cards returned by the consumers the total cost per card may range from a low of a 32 cents to a high of 80 cents. The costs may be somewhat higher if the per unit costs of the overhead and administrative costs are higher than expected.

Based on research and past experience, it is likely that providing registration cards with new purchases will result in benefits to consumers by increasing the effectiveness of recalls. Manufacturers would be able to directly notify the purchaser of a recalled product. To the extent that the cards motivate consumers to respond to a recall, deaths and injuries should be prevented.

F. Invitation to Comment

The Commission invites comments on this ANPR. The Commission requests comments on the general concept of purchaser identification cards, the category of consumer products that should be included, and the mechanics of such a system, including the potential costs.

Dated: _____

Todd Stevenson, Acting Secretary
Consumer Product Safety Commission

List of Relevant Documents

1. Memorandum from Marc Schoem, Director, Recalls and Compliance Division, Office of Compliance, to the Commission, "Product Safety Owner Card Proposal," June 19, 2001.
2. Memorandum from Robert B. Ochsman, Ph.D., Director, Human Factors Division, to Marc Schoem, Director, Recalls and Compliance Division, Office of Compliance, "Product Safety Owner Cards," June 1, 2001.
3. Memorandum from Robert Franklin, Directorate for Economic Analysis, to Marc Schoem, Director, Recalls and Compliance Division, Office of Compliance, "Costs to Manufacturers of Product Registration Cards," June 1, 2001.