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Customer Satisfaction Growth Slows, Many Companies Struggle to Keep Up

Latest ACSI Report Shows Utilities and Cell Phones Rising; Restaurants, Cable and Airlines Tumbling

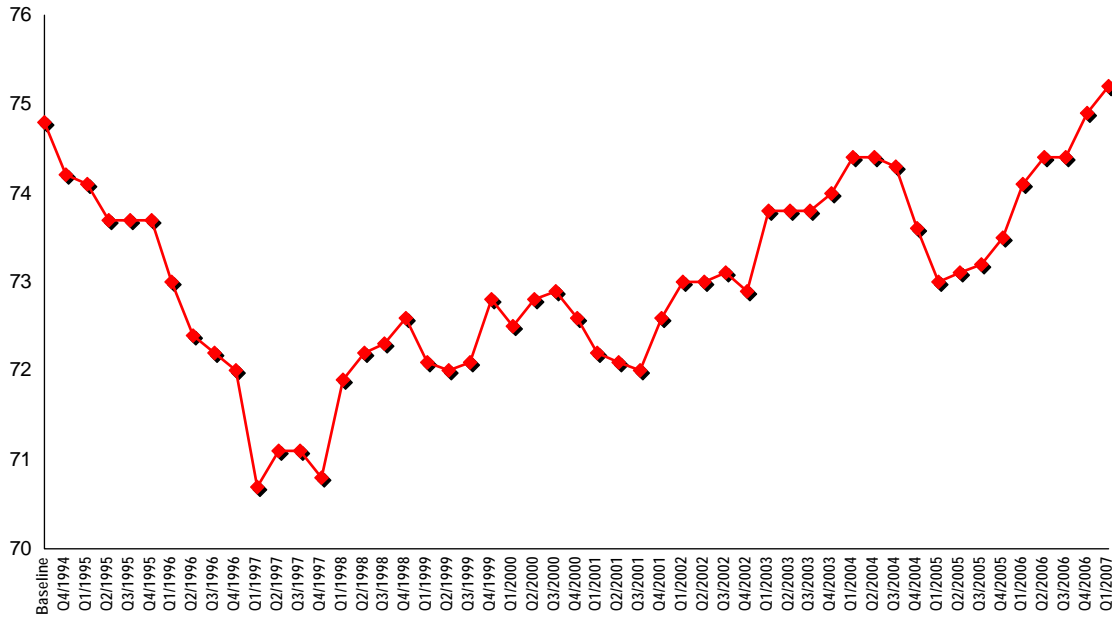
ANN ARBOR, Mich., [May 15, 2007] – Customer satisfaction with the goods and services that Americans buy continues to improve, but at a slower rate, according to a report released today by the University of Michigan’s American Customer Satisfaction Index (ACSI). The ACSI is up 0.4% to an overall score of 75.2 on the ACSI’s 100-point scale, the highest quarterly national average in the ACSI’s 14-year history.

However, although customer satisfaction growth in the aggregate continues, the rate has slowed and many individual companies measured this quarter are falling behind. Of the companies measured in the first quarter of 2007, the ACSI saw more drops than gains in satisfaction.

“In addition to the large number of decliners, the rate of improvement in satisfaction has slowed,” said Professor Claes Fornell, director of the University of Michigan’s National Quality Research Center, which compiles and analyzes the ACSI data. “Companies don’t have much pricing power unless there is shrinking supply or higher customer satisfaction. There are no signs of the former in most industries, so the latter becomes more critical. Companies may begin to see narrowing profit margins unless there is further improvement in customer satisfaction.”

ACSI has consistently predicted future consumer spending and is an indicator of financial performance at both the company and industry level. The latest ACSI data suggest that depending on the impact of consumer debt burden, consumer spending growth will be in the range of 3.1% to 3.9% in the second quarter of 2007.

ACSI 1994 to Q1 2007



In the first quarter of every year, the ACSI measures customer satisfaction with the quality of products and services in energy utilities, airlines, express delivery, U.S. Postal Service, hospitals, hotels, fast food restaurants, cable & satellite TV and telecommunications services.

Telecommunications: Cable and Satellite TV Remain Low, Wireless Continues to Improve

The telecommunications sector as measured by the ACSI is made up for four industries: fixed-line service, wireless service, cable and satellite television, and cell phones.

The fixed-line telephone providers maintain a consistent industry score of 70. Qwest and Verizon see slight increases to 72, but Cox drops six points to 70 and AT&T (70) and Comcast (67) drop as well. Embarq improves two points to 66 but remains last in the category.

A second year of improvement in the wireless industry puts it at an all-time high: up 3% to a score of 68. However, even with this year's gain, wireless service remains one of the five lowest scoring industries in ACSI. AT&T Mobility, the new incarnation of Cingular Wireless, makes a big jump, up 8% to 68, while Verizon Wireless (71) and T-Mobile (70) show gains of 3% and 1%, respectively. But not all wireless providers are on the way up. Satisfaction with Sprint Nextel is falling well behind competition (seven points behind the nearest competitor), and now stands at 61, a 3% drop from a year ago.

The perennially low-scoring cable and satellite TV industry drops 2% to 62, the lowest level of customer satisfaction among all industries covered by ACSI. None of the providers has improved on customer satisfaction this year. Comcast (down 7% to 56), DirecTV (down 6% to 67) and Time Warner Cable (down 5% to 58) all tumble.

In cell phones, Motorola and Nokia both advance to 72, but Samsung falls three points to 70.

Airlines and Hotels: The Trouble with Travel

Trouble continues for the travel-related industries. The ACSI score for airlines falls 3% to 63, its lowest level in 7 years. The same problems that have pulled airline passenger satisfaction down the past few years – disenchanted employees, increasing fuel costs, bankruptcy, and now also record levels of lost, delayed, and damaged luggage – cause it to drop again.

United Airlines suffers the largest fall in satisfaction. Down 11% to 56, United is now the lowest scoring airline by a substantial margin and is in fact, one of the lowest scoring companies measured by the ACSI. Delta (59) also drops nearly 8%. Southwest Airlines stands apart from the rest again this year. Up 3% to a score of 76, Southwest leads the airline business in passenger satisfaction and profitability.

The hotel industry also falls, down 5% to 71, its lowest score since 2002. Most of this, however, is due to a decline among smaller hotel chains. Marriott is the industry leader, up 5% to 79 – its best score since 1994. Hyatt improved 2.7% to a score of 77, while Hilton declined 2.6% to a score of 76.

Restaurants: Sit Down Restaurants Trump the Drive-Thru

The fast food industry is unchanged this year at 77. Only one restaurant, Pizza Hut, registers a significant change – its customer satisfaction score drops by 5% to 72. Starbucks and Wendy's lead the category with a score of 78 and McDonald's brings up the rear with a score of 64.

New to the ACSI this year is the category of full-service restaurant chains, and not surprisingly, they have a higher average satisfaction (81) than do fast-food restaurants (77). Olive Garden leads the industry with a score of 80, and Outback Steakhouse (79) and Red Lobster (78) trail just slightly. Chili's is at the bottom of the industry with a score of 75.

Software: Microsoft falls

A year after its inclusion in ACSI, the computer software business overall is statistically unchanged, down 1% to 73, but Microsoft has dropped by 4% to 70. A year ago, the world's leading software producer was even with the rest of the industry; now it is behind in customer satisfaction.

Energy Utilities: Weather Woes Freeze Some

Overall customer satisfaction with energy utilities improves slightly to 73, up 1%. Ameren suffers a huge fall in customer satisfaction, down 23% to 57, one the largest drops in ACSI history. Last year's record-breaking storm across Missouri and Illinois – one of which set a record for the number of power outages could be the source of the most recent of Ameren's troubles.

Overall, however, most utilities have higher levels of customer satisfaction this year. Southern Company leads the electric utility industry with a score of 82 up 2.5% from last year. A relatively quiet hurricane season helped Florida Power & Light (FP&L) improve by 7.4% to a score of 73.

About the ACSI

The American Customer Satisfaction Index is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States. It is updated each quarter with new measures for different sectors of the economy replacing data from the prior year. The overall ACSI score for a given quarter factors in scores from about 200 companies in 40 industries and from government agencies over the previous four quarters.

The index is produced by the University of Michigan's Ross School of Business in partnership with the American Society for Quality (ASQ) and CFI Group, and is supported in part by ForeSee Results, corporate sponsor for the e-commerce and e-business measurements.

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