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ACSI: Only Small Dip in Customer Satisfaction Though Economic Problems Abound

*Many Companies Shore Up Customer Relationships;
Nike, Colgate-Palmolive Improve; Heinz Stays On Top;
Campbell Soup, Apparel Makers Slide*

ANN ARBOR, Mich. (November 18, 2008) – Aggregate customer satisfaction as measured by the American Customer Satisfaction Index (ACSI) continues to worsen – a trend that began in 2007 – but the deterioration for the third quarter is small. The ACSI loses 0.1%, which brings the Index to a score of 75.0 on a 100-point scale. The decline in buyer satisfaction has precipitated a softening of consumer demand, with household spending actually falling in the third quarter for the first time in 17 years. Despite the overall drop in ACSI, many companies are actually improving customer relationships: gainers lead decliners 46% to 27%, with 27% unchanged.

In years past, rising customer satisfaction has helped sustain economic growth via consumer spending even though wages did not improve much. But as the financial crisis has led to a credit crunch and a contracting economy with high unemployment, the ability of households to spend money is now seriously curtailed.

“The good news is that there has not been a collapse in customer satisfaction, but rather that the slide in ACSI might be flattening; the bad news is that customer satisfaction will not contribute to aggregate consumer spending as much as it used to. Households are strapped for cash, have little savings and credit is tight,” said Professor Claes Fornell, founder of the ACSI and author of *The Satisfied Customer*. “But for individual companies, customer satisfaction actually matters even more in a recession. Now is the time to make sure customers don’t leave and that margins don’t evaporate. Firms without strongly satisfied customers will face a very difficult challenge.”

For the third quarter, the ACSI reports results for the non-durable goods sector, including apparel, athletic shoes, breweries, cigarettes, food manufacturing, pet food, personal care & cleaning products, and soft drinks.

Athletic Shoes: Nike Continues Climb

Nike surges 4% to 78, with new products such as the Nike+iPod Gym, which makes it possible to record workouts on treadmills and bikes, seeming to have contributed to the improvement. Two years after adidas’ acquisition of Reebok, the combined brands enjoyed a considerable edge over Nike – a lead that has now been erased. Both companies have an ACSI score of 78.

“Nike’s strategy of product innovation and expanding its current market into other demographics by launching new, more affordable lines appears to be paying off,” said Fornell. “Improved customer satisfaction has also contributed to higher revenues for Nike.”

Overall satisfaction with athletic shoes is unchanged at 79. Smaller shoe manufacturers in the “all others” category, which includes New Balance and Skechers, continue to lead the industry at 82, despite a 1% drop from last year.

Food Companies: Customer Satisfaction Edges Up

Customer satisfaction with food companies climbs 2.5% to 83. Perennial top-performer Heinz (-1% to 89) leads the industry, with Quaker Oats (+1% to 87) and Mars (86) not far behind. Heinz continues its reliance core products, most notably the ketchup brand, and remains one of the most consistently high-scoring companies in ACSI. While many companies experienced little growth over the past fiscal year, Heinz’s revenue increased by 12%.

At the other end of the spectrum, Campbell Soup falls 4% to 80. There is no evidence of quality problems, but higher prices appear to be a major contributing cause.

Apparel: Moving in the Wrong Direction

Customer satisfaction falls 2% to 80 for apparel. Virtually all of the major firms either decline or fail to improve. Jones Apparel is the exception, with a 4% ACSI jump to lead the industry at 84.

The deteriorating scores appear to be a result of both price increases and quality issues as experienced by the customers. Past industry leader VF Corporation is down slightly, losing 1% to 83. Hanesbrands drops 2% to 80. Levi Strauss falls 3% to 78 while Liz Claiborne remains unchanged at 79.

Personal Care & Cleaning Products: Category Maintains Record High

There is no change in the industry score for personal care & cleaning products, which remains at a record high of 85. Clorox is still at the top of the industry (87), but is joined this year by Unilever (+1% to 87) and Colgate-Palmolive, which improves dramatically (+7% to 87) in great part because of its oral care product lines, such as toothpaste, teeth whiteners and electric toothbrushes. The company’s line of pet foods – measured as the satisfaction of the owner, not the pet – is weaker. Its Hill’s Pet Nutrition brands (Science diet and Prescription diet) shed 5% to 81. Hill’s brands are considered high-end and priced accordingly. In a recessionary economy, it is more likely that such pricing becomes problematic.

For a complete list of measured companies and scores, please visit <http://www.theacsi.org>.

About the ACSI

The [American Customer Satisfaction Index](http://www.theacsi.org) 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 44 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.

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