

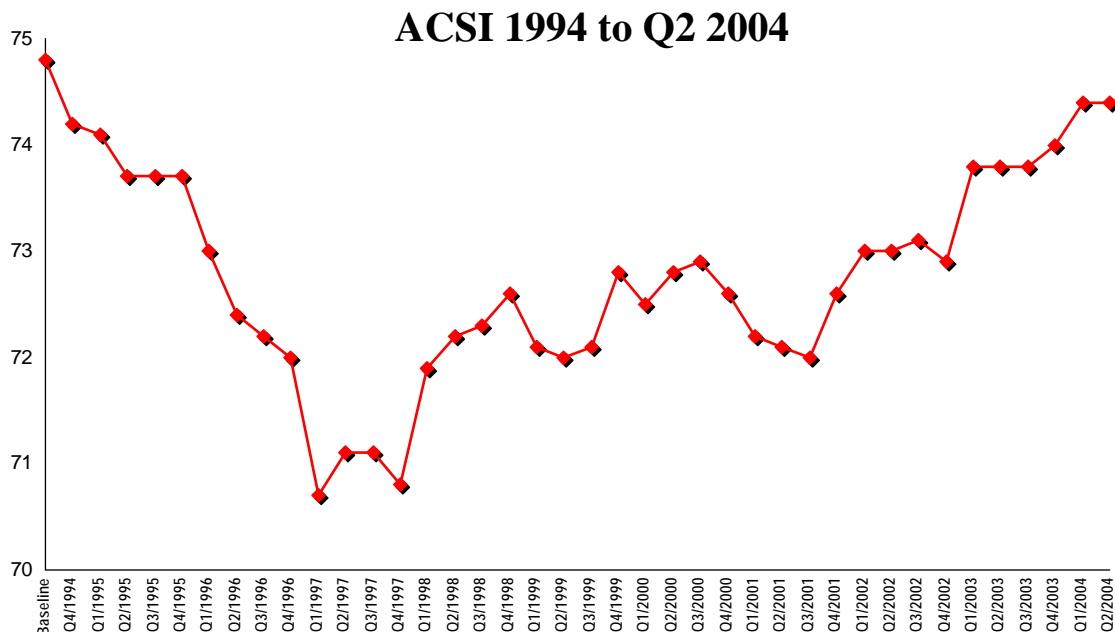
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American Customer Satisfaction Index (ACSI) Holds Steady at Ten-Year High

Personal Computers Rebound, US Auto Industry loses to Foreign Competition; Overall Satisfaction Levels Among US Consumers Encourages Spending, but Perhaps Not Enough to Offset Rising Prices, Interest Rates

Ann Arbor, MI (August 24, 2004)—The latest American Customer Satisfaction Index (ACSI) stands at 74.4 for the second quarter of 2004—holding steady at its highest level in ten years, unchanged from last quarter. High customer satisfaction has generally contributed to increased consumer spending, and while satisfaction cannot completely offset recent price and interest rate hikes, the economy's ability to continue to deliver strong satisfaction levels should help bring spending back from last quarter's nose-dive.

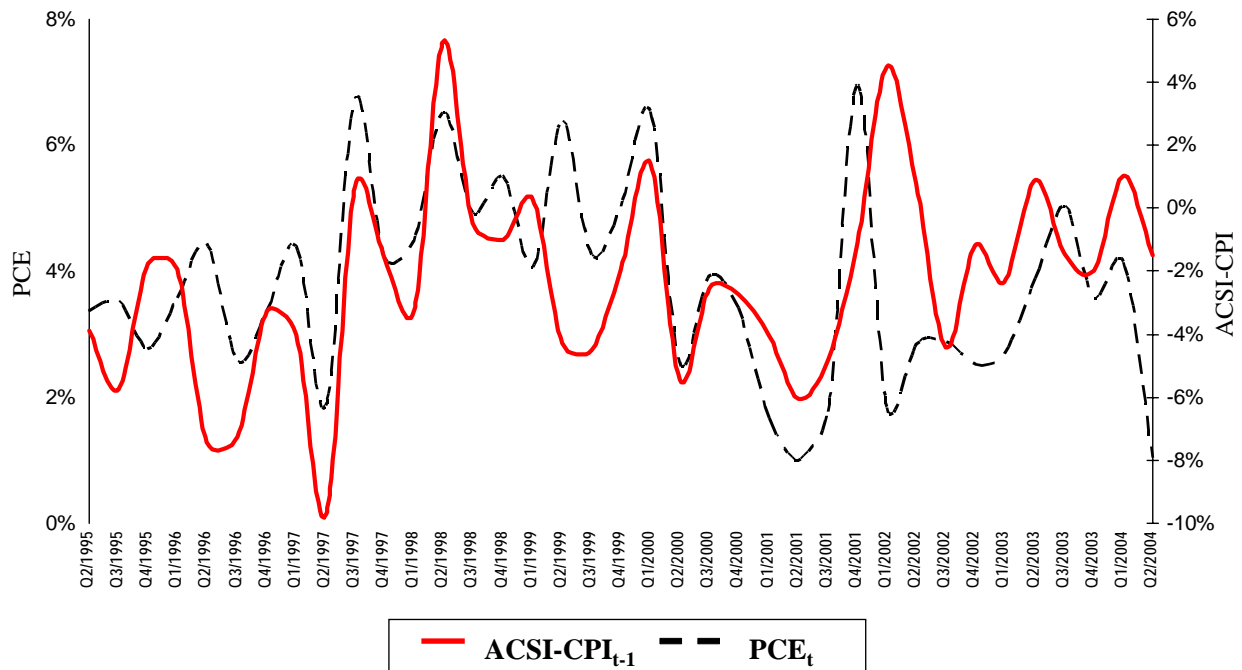
Today's report suggests the US auto industry will have to fight to keep from losing customers to foreign carmakers but some top American PC brands are gaining ground—which could be good not only for PC sales but also brand extensions. Industry-level satisfaction scores provide strong cues concerning which lines of business are most vulnerable to foreign competition, according to the report.



“High levels of satisfaction with shopping and consumption usually mean that people become more willing to spend, which also gives a boost to the economy” said Professor Claes Fornell, who heads the Index at the University of Michigan. “But there are now considerable forces pulling in the other direction—price-adjusted satisfaction is actually dropping. Add weak employment, debatable wage growth and higher interest rates to the picture, and enthusiasm for buying more weakens. Nevertheless, third quarter spending is almost certain to be higher than the dismal second quarter spending.”

In general, a change in the ACSI in one quarter, adjusted for the Consumer Price Index (CPI), has been followed by a proportional consumer spending change the following quarter. Based on ACSI alone, spending should grow by 3.7% in the third quarter.

Consumer Spending (PCE) Growth and Lagged Growth in ACSI-CPI



US Automakers Lose Ground, Deliver “Average” Satisfaction; Japanese Makers Regaining Ground Lost to Europeans

This quarter’s ACSI scores bring a word of warning to domestic automakers. Of the six nameplates at or below the industry average for customer satisfaction, five are domestic. The gap in customer satisfaction between domestic and foreign producers is once again growing—with Japan regaining the lead, followed by the Europeans. This will not make it easier for the Big Three to curb further erosion of market share vs. overseas competition.

“Major recalls notwithstanding, the Big Three are basically holding their own with foreign automakers when it comes to quality and reliability,” said Fornell. “Where they fall short is on value for money. Despite the weakening dollar, domestic automakers have not been able to capitalize in price comparisons with international competition.”

All is not bleak for the Big Three, however. Despite slowing sales at present, Ford’s Lincoln and Mercury lines make significant improvements in customer satisfaction and are now at the top of the industry, followed closely by Honda, BMW and Toyota, while DaimlerChrysler’s Mercedes-Benz, plagued by quality problems, has fallen from an industry high in 2000 to the middle of the pack this year.

There is also good news for troubled Volkswagen. It has seen its stock price cut in half following a drop in ACSI last year. This year VW is up by 5% to a score of 80, suggesting perhaps that the automaker has turned the corner and can look forward to better times.

Personal Computers Satisfaction Rebounds, Hits Four-Year High; Apple’s Shine Not Limited to iPod

Because of lower prices, upgrades in power and capabilities, and gradually more experienced users, customer satisfaction with personal computers has improved to a level last seen in 2000.

Apple leads with a score of 81, making a 5% improvement in each of the last two years. Gateway has also improved. Its products are now perceived to offer a better value, particularly after the acquisition of eMachines, which helped pull the company up from a low of 69 a year ago to equal the industry average this year.

Higher satisfaction scores have implications for companies beyond simply making customers happier. “A company that improves in customer satisfaction tends to perform better financially by generating more repeat business, which leads to greater profits and higher stock price,” said Fornell. “Sales of Apple computers are up and its stock value has improved more than 50% over the past year.”

Going in the opposite direction is Hewlett-Packard. At one time a leader in customer satisfaction, H-P dropped below the industry average for the first time a year ago. The acquisition of Compaq in 2002 has not made a significant positive impact on its ACSI score.

“H-P remains competitive on price,” said Jack West, past president of the American Society for Quality, a co-sponsor of the ACSI. “But this is a reminder that there’s more to satisfaction and loyalty than meets the eye. H-P’s problem is that the quality of both their products and service support has fallen off sharply since the mid-1990s, when H-P was leading the industry.” Although both the H-P and Compaq brands have improved

slightly, they remain below the rest of the industry, which does not bode well for the company's financial performance.

Appliances. The household appliance industry improved slightly to a score of 82 and remains one of the highest scoring industries in ACSI. The Kenmore brand tops at 85, followed by Whirlpool (83). Maytag's difficulties continue. Since 2000 its ACSI score has fallen 7% from an all-time high of 87. Since the value of a company is equal to the value of the sum of its customer relationships, the company's deteriorating stock price is not without explanation.

e-Business. The second quarter ACSI includes portals, search engines, and news and information websites. The upward trend continues: e-business takes a step forward, gaining 2% to 72.5.

Up 1% to 71, internet portals show some improvement, but continue to lag both search engines and news and information websites. At 67, America Online is at the bottom, even though its score is up almost 20% since 2000. Faced with a diminishing number of dial-up subscribers, AOL has been forced to seek revenue by marketing higher quality content and services to non-subscribers.

"AOL has made progress in taking advantage of their strong content and is clearly focused on improving the product they deliver to their customers," said Larry Freed, online satisfaction expert and CEO of ForeSee Results. Whereas the recent emphasis on quality has resulted in improved customer satisfaction, it is still not high compared with competition or the national ACSI.

After a huge 15% improvement last year, search engines climb another 3% this year to 80, an all-time high. Google continues its sizeable lead, but its customer satisfaction is no longer growing. This may not prove to be of great concern for the newly publicly traded company. Even though other search engines have improved, they remain far behind.

"Google's status as the industry leader is not surprising for a website whose name has entered the lexicon as a verb," said Freed. "Google has not rested on its laurels, but instead has taken the stance of aggressive innovator. Going forward, though, Google faces stiff competition from other titans of e-commerce, as the lines between search and portals blur, and companies like Amazon are making noise about getting into the search field."

About the ACSI

The ACSI 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 Business School in partnership with the American Society for Quality and CFI Group, and is supported in part by ForeSee Results, corporate sponsor for the e-commerce and e-business measurements, and by Market Strategies Inc., a major corporate contributor.

Company scores and other information about the ACSI can be found on the ACSI Web site:
www.theacsi.org.

ACSI Over Time (Q2 2004 companies and industries)														
													% Change from last year	% Change from 1st year
		Baseline	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004		
MANUFACTURING/DURABLES		79.2	79.8	78.8	78.4	77.9	77.3	79.4	78.7	79.0	79.2	78.3	-1.1%	-1.1%
Personal computers		78	75	73	70	71	72	74	71	71	72	74	2.8%	-5.1%
	Apple Computer, Inc.	77	75	76	70	69	72	75	73	73	77	81	5.2%	5.2%
	Dell Inc.	NM	NM	NM	72	74	76	80	78	76	78	79	1.3%	9.7%
	Gateway, Inc.	NM	NM	NM	NM	76	76	78	73	72	69	74	7.2%	-2.6%
	All Others	NM	70	73	72	69	69	68	67	70	69	71	2.9%	1.4%
	Hewlett-Packard Company - HP	78	80	77	75	72	74	74	73	71	70	71	1.4%	-9.0%
	Hewlett-Packard Company - Compaq	78	77	74	67	72	71	71	69	68	68	69	1.5%	-11.5%
Major Household appliances		85	82	82	80	83	82	85	82	82	81	82	1.2%	-3.5%
	Kenmore	NM	NM	NM	NM	NM	85	85	86	83	84	85	1.2%	0.0%
	Whirlpool Corporation	87	82	85	82	85	84	86	83	83	82	83	1.2%	-4.6%
	All Others	NM	78	81	79	79	80	78	80	77	77	82	6.5%	5.1%
	Maytag Corporation	85	87	83	85	84	84	87	83	83	81	81	0.0%	-4.7%
	General Electric Company	81	84	81	78	80	80	83	83	82	81	79	-2.5%	-2.5%
Consumer electronics (TV & VCR/DVD)		83	81	81	80	79	83	83	81	81	84	82	-2.4%	-1.2%
Automobiles, Vans & Light Trucks		79	80	79	79	79	78	80	80	80	80	79	-1.3%	0.0%
	Ford - Lincoln, Mercury	79	84	80	81	83	82	85	82	84	81	86	6.2%	8.9%
	Honda Motor Co., Ltd.	85	86	83	82	81	83	82	83	82	82	85	3.7%	0.0%
	Bayerische Motoren Werke AG (BMW)	82	81	81	80	86	86	84	86	86	85	84	-1.2%	2.4%
	Toyota Motor Corporation	86	84	84	84	85	83	82	83	83	85	84	-1.2%	-2.3%
	GM - Buick	NM	NM	84	83	84	86	86	86	86	84	83	-1.2%	-1.2%
	GM - Cadillac	NM	NM	88	84	88	85	86	88	86	87	83	-4.6%	-5.7%
	GM - Saturn Corporation	84	83	81	82	85	80	82	80	81	81	81	0.0%	-3.6%
	Hyundai Motor Company	68	68	69	68	72	68	76	81	78	81	81	0.0%	19.1%
	Nissan Motor Co., Ltd.	83	82	80	79	77	79	78	80	80	79	81	2.5%	-2.4%
	DaimlerChrysler - Chrysler	81	82	80	80	80	79	80	78	80	82	80	-2.4%	-1.2%
	DaimlerChrysler - Mercedes-Benz	85	86	87	87	86	86	87	86	83	83	80	-3.6%	-5.9%
	GM - GMC Truck	NM	NM	NM	80	78	81	81	79	81	83	80	-3.6%	0.0%
	GM - Oldsmobile	NM	NM	82	82	82	81	80	81	82	80	80	0.0%	-2.4%
	Volkswagen AG	74	76	76	79	78	82	83	81	82	76	80	5.3%	8.1%
	Ford - Volvo	82	84	84	84	81	80	82	81	82	81	80	-1.2%	-2.4%
	GM - Pontiac	76	79	78	78	76	78	78	78	78	76	79	3.9%	3.9%
	All Others	NM	81	79	73	74	76	75	79	77	75	78	4.0%	-3.7%
	Mazda Motor Corporation	78	77	75	74	77	76	78	78	81	82	78	-4.9%	0.0%
	DaimlerChrysler - Jeep	78	77	76	74	77	77	75	76	79	79	77	-2.5%	-1.3%
	GM - Chevrolet	77	79	79	78	79	76	80	78	78	79	77	-2.5%	0.0%
	Ford - Ford	75	79	78	77	77	77	77	78	78	80	76	-5.0%	1.3%
	DaimlerChrysler - Dodge	80	77	77	77	78	75	81	77	78	78	75	-3.8%	-6.3%

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		Baseline	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004				
E-Business		NM	NM	NM	NM	NM	NM	NM	NM	68.7	71.4	72.5			1.5%	5.5%
Portals		NM	NM	NM	NM	NM	NM	63	65	68	70	71			1.4%	12.7%
	All Others	NM	NM	NM	NM	NM	NM	67	72	72	79	78			-1.3%	16.4%
	Yahoo! Inc.	NM	NM	NM	NM	NM	NM	74	73	76	78	78			0.0%	5.4%
	MSN (Microsoft Corporation)	NM	NM	NM	NM	NM	NM	71	67	72	74	75			1.4%	5.6%
	American Online, Inc. (Time Warner Inc.)	NM	NM	NM	NM	NM	NM	56	58	59	65	67			3.1%	19.6%
Search Engines		NM	NM	NM	NM	NM	NM	NM	NM	68	78	80			2.6%	17.6%
	Google, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	80	82	82			0.0%	2.5%
	All Others	NM	NM	NM	NM	NM	NM	NM	NM	NM	74	75			1.4%	1.4%
	Ask Jeeves, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	62	69	71			2.9%	14.5%
	AltaVista Company	NM	NM	NM	NM	NM	NM	NM	NM	61	63	66			4.8%	8.2%
News & Information		NM	NM	NM	NM	NM	NM	NM	NM	73	74	75			1.4%	2.7%
	All Others	NM	NM	NM	NM	NM	NM	NM	NM	73	75	75			0.0%	2.7%
	ABCNEWS.com (The Walt Disney Company)	NM	NM	NM	NM	NM	NM	NM	NM	74	74	74			0.0%	0.0%
	CNN.com (Time Warner Inc.)	NM	NM	NM	NM	NM	NM	NM	NM	72	72	74			2.8%	2.8%
	MSNBC.com (NBC, Microsoft Corporation)	NM	NM	NM	NM	NM	NM	NM	NM	73	74	74			0.0%	1.4%
	NYTimes.com (The New York Times Company)	NM	NM	NM	NM	NM	NM	NM	NM	71	70	72			2.9%	1.4%
	USATODAY.com (Gannett Co., Inc.)	NM	NM	NM	NM	NM	NM	NM	NM	71	72	72			0.0%	1.4%