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ACSI: Customer Satisfaction Rises Again, Now Joined by Other Economic Indicators

*Strong Showings for Southwest, DirecTV and Domino's
Gains for Comcast and McDonald's;
AT&T, Charter Communications and Hyatt Fall*

ANN ARBOR, Mich., [May 19, 2009] – The American Customer Satisfaction Index (ACSI) continues to climb, registering a second straight quarterly improvement after a period of decline preceding the recession. For the first quarter of 2009 the Index jumps 0.4% to 76.0 on ACSI's 100-point scale, according to the report released today by the University of Michigan.

When ACSI improved in the fourth quarter of 2008, it stood nearly alone among economic indicators showing positive news in the midst of the recession. Now it is joined by several other indicators.

"Stock prices have been rising, real estate is showing signs of life, consumer confidence is up, corporate earnings are mixed but generally better than expectations and inventories are becoming more in line with demand and, above all, consumer spending rebounded in the first quarter," said Claes Fornell, founder of the ACSI and author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*. "It is too early to predict whether the recession has bottomed out, but since ACSI is usually a precursor to increasing consumer demand, it could very well be signaling a revival for a very depressed US economy."

In the first quarter of the year ACSI measures customer satisfaction with the quality of products and services in utilities, transportation and warehousing, information, health care and social assistance, and accommodation and food services.

What? Airline Passenger Satisfaction Improves?

Passenger satisfaction with airlines improves for the first time since 2003, up 3% to an ACSI score of 64, ending a downward slide that, with few interruptions, began in 1994. High fuel price volatility, indifferent service, labor problems, congested airports and financial challenges have plagued the industry for a long time and even with the current improvement, airlines remain one of the lowest scoring businesses in ACSI.

American Airlines is the only major carrier to drop, falling 3% to 60. Southwest continues to lead the industry for a sixteenth (!) straight year, up 3% to an all-time high of 81. By contrast, United Airlines anchors the bottom, unchanged at 56.

“Southwest appears well prepared for today’s economic conditions with its no-frills approach, low fares and reliable service,” said Fornell. “The airline has a record of being able to deliver the basics well – getting both passengers and their luggage to the same destination on time.”

Airlines that have had the most significant customer service problems in the past improved the most. Continental is up 10% to 68, erasing a similar decline from a year ago, and US Airways is up 9% to 59, also erasing a similar drop in passenger satisfaction. Delta improved 7% to 64 in the wake of its merger with Northwest, while Northwest itself remained unchanged near the bottom of the industry at 57, just ahead of United.

Hotels: Rooms for Rent - Cheap!

The hotel industry is facing a difficult time as consumers and businesses tighten spending on travel. In the wake of a sharp downturn in business, budget hotels have fared the best by offering low rates and even adding a few perks to boot. For the more up-scale hotels, the picture is more mixed.

Hilton leads the category, up 1% to 79, followed closely by Marriott, down 1% to 77. Two economy hotels, Best Western and Choice Hotels, surge to the middle of the industry, up 7% to 76 and 75 respectively by keeping rates low and maintaining service. Hyatt, historically among the industry leaders, drops 5% to 74 by lowering both price and service.

Telecom and Cable: Still Some Potholes on the Information Highway

Traditional local and long distance service is down 1% to 72, a year after reaching its highest score since 1999. AT&T declines 5% to 71, losing most of the ground it gained in 2008. Cox Communications holds its own at 74 to lead the category, while Qwest slips 3% to 71. Comcast’s digital voice service falls 3% to 67 to remain at the bottom.

Customer satisfaction with wireless telephone service reaches a new all-time high for the third consecutive year at 69. Verizon Wireless jumps 3% to 74 to continue its lead over the industry. Sprint Nextel makes the biggest gain of any company this quarter, up 13% to 63, though some of the increase is likely to be due to many departing and not very satisfied customers. Sprint Nextel remains at the bottom of the industry in customer satisfaction.

AT&T Mobility falls down 6% to 67. Paradoxically, its success with the iPhone may have contributed to the declining customer satisfaction. As the wireless carrier has attracted iPhone customers with more intensive data needs, the strain on the network has created complaints about slow and spotty performance.

Customer satisfaction with cable and satellite TV declines, falling 2% to 63, although some of the large companies improve. Satellite TV still leads the way, with DirecTV well above all measured companies, up 4% to 71. The other satellite provider, DISH Network continues its slide, falling 2% to 64. Two years ago the satellite companies were tied at 67; now a 7-point gap separates them.

Cox Communications leads all cable TV providers for a sixth straight year and reaches an all-time high at 66, but Comcast makes an even bigger leap, up 9% to 59. Comcast

has apparently benefited by monitoring customer feedback on blogs and via the social networking site Twitter in order to identify disgruntled customers and address customer dissatisfaction on a one-to-one basis. Charter Communications is down 6% to 51, a new record low for any company in the 15-year history of ACSI. Its stock has been delisted and the company is facing serious financial challenges.

Restaurants: Fast Food and Full-Service Battle for Consumer Dollars

Fast food is unchanged at 78, matching its highest score ever, while full-service restaurants jump 5% to 84. As the recession has driven business away from the pricier sit down restaurants to the cheaper fast food alternatives, full-service restaurants have had to try harder to compete. Similar to airlines and some of the hotels, service to customers has improved, at least in part, because there are fewer customers to serve, but it is also true that there have been menu changes to the liking of diners and a lowering of price in some instances.

Domino's is on top at 77. Wendy's and Taco Bell make the biggest gains, each up 4% to 76 and 73 respectively. McDonald's continues to do well, passing both Burger King and KFC, up 1% to an all-time high of 70. Over the past 4 years, the world's largest fast food chain has improved customer satisfaction more than any other fast food business and at a rate more than 4 times the industry average.

Utilities: Restoring the Power

Customer satisfaction with energy utilities is steady at 74, tying its highest level since 2000. Sempra Energy leads at 80, unchanged from a year ago. MidAmerican Energy (+1%) and PPL Corporation (+1%) follow closely at 79. At the other end of the spectrum, three utilities fall below 70. Pepco Holdings falls 1% to 68, while Ameren leaps by 6% also to a score of 68. Consolidated Edison is at the bottom of the industry with a score of 66. While not the only factor, a key to high levels of customer satisfaction seems to lie in the utility's power restoration abilities.

For a complete list of measured companies and scores, please visit www.theacsi.org.

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 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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