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Customer Satisfaction Stays High for Beverages, Cigarettes and Cleaning Products

*Clorox, Philip Morris and Reynolds American Gain;
Sharp Drops for Unilever and Dr Pepper Snapple*

ANN ARBOR, Mich., (October 18, 2011)—Although U.S. sales continue to decline, three nondurable goods industries—soft drinks, beer and cigarettes—keep pleasing their U.S. customers, while looking toward Asian markets to boost their balance sheets, according to a report released today by the American Customer Satisfaction Index (ACSI). A fourth measured industry, personal care and cleaning products, stabilizes after a rare drop last year, as companies seek the right combination of quality and value to suit customers aiming to stretch their dollars.

Beverages: Dr Pepper Snapple Fizzles & Beer Flattens

Overall, consumers are upbeat about their favorite soft drink brands, as the ACSI score for the industry ticks up 1.2% to 85 (on a 0 to 100 scale) and ties electronics (televisions and disc players) as the highest scoring among 47 measured industries.

“A wide variety of product offerings, product reliability, low unit price, and minimal buyer switching costs keep customers highly satisfied with their soft drinks,” remarks Claes Fornell, founder of the ACSI and author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*. “Add to this the fact that purchasing and consuming these products hardly requires any customer service assistance, and soft drinks come out on top.”

The industry’s score is strengthened by small gains for the two cola giants—Coca-Cola and PepsiCo improve 1% each to share the lead at 85—as well as a big boost for the category of smaller brands (store brands plus labels such as Faygo and Shasta). Following last year’s 7% plunge to 79, customer satisfaction with smaller brands bubbles up 5% to 83. For Dr Pepper Snapple Group, the opposite occurs—its score sinks to 82, down 4% from an industry-leading 85 in 2010. ACSI results show that customers are becoming more sensitive to price at a time when the company has raised prices.

Customer satisfaction with breweries is stable at 82 for a second year. This is lower than soft drinks, but stays at a very high level. Two years ago, the industry hit a high point of

84, but a sizeable downturn for market-share leader Anheuser-Busch InBev dampened customer satisfaction overall in 2010.

This year, Miller grabs the lead at 84 (+1%), edging out the aggregate of all smaller brands (Corona, Heineken, Samuel Adams and assorted microbrewery labels) at 83 (unchanged). A-B holds almost steady (-1% to 81), but anchors the low end along with Molson Coors (unchanged). Competitive pricing makes a difference.

“Beer customers tend to be more sensitive to price than those buying soft drinks,” says Fornell. “Consumption of beer is also less than half of the consumption of soft drinks, which makes customer satisfaction more important for this industry.”

Cigarettes: Outlook Improves as Smokers Accept Costs

Customer satisfaction with tobacco products picks up for a second consecutive year, rising 2.6% to an ACSI score of 78. This year’s increase completes the cigarette industry’s recovery from a sharp downturn in customer satisfaction reported two years ago by the ACSI, when new tobacco taxes drove up retail prices.

“The quality of tobacco products has never been much of an issue for smokers,” comments Fornell. “Their satisfaction, instead, is highly tuned to changes in price, which is why the industry’s ACSI score is the weakest among nondurables.”

Both major U.S. tobacco players reap customer satisfaction rewards from their ongoing emphasis on price promotions. Philip Morris emerges as the industry leader, up 4% to an ACSI score of 80—the company’s best in 16 years. Reynolds American makes progress as well, up 3% to 77, but lags significantly behind Philip Morris.

Personal Care & Cleaning Products: Clorox Wipes Out Competition

The ACSI measures a wide array of products for personal use in the home—from shampoo, soap and toothpaste to detergents and cleaning products. A year after declining for the first time since 2004, the industry’s score holds steady at 83. Former customer satisfaction stalwart, Clorox, is back on top in 2011, regaining the lead in the personal care and cleaning products category at the superior level of 88 (+2%). Trailing behind leader Clorox, Colgate-Palmolive (-1%), Dial (+1%) and the aggregate of all smaller manufacturers (+2%) are all tied at 84.

Procter & Gamble and Unilever bring up the rear at 82, albeit just below the industry average. P&G’s score has not improved following a drop in 2010, and the company continues to wrestle with pricing as consumers seek value in a weak economy. For Unilever, customer satisfaction goes south—the company tumbles from first place to last with a precipitous 6% ACSI decline. In addition to price, Unilever faces the challenge of sagging quality, as reported by its customers.

About 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. Data from interviews with approximately 70,000 customers annually are used as inputs into an econometric model to measure satisfaction with more than 225 companies in 47 industries and 10 economic sectors, along with over 200 services, programs, and websites of approximately 130 federal government agencies.

ACSI results are released on a monthly basis, with all measures reported using a 0 to 100 scale. ACSI data have proven to be strongly related to a number of essential indicators of micro and macroeconomic performance. For example, firms with higher levels of customer satisfaction tend to have higher earnings and stock returns relative to competitors. Stock portfolios based on companies that show strong performance in ACSI deliver excess returns in up markets as well as down markets. And, at the macro level, customer satisfaction has been shown to be predictive of both consumer spending and gross domestic product growth.

The Index was founded at the University of Michigan's Ross School of Business and is produced by ACSI LLC. ACSI can be found on the Web at www.theacsi.org.

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