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Quality Improvement Boosts Customer Satisfaction for Automakers

Luxury Brands Head Industry List; Chrysler Gains but Still Plays Catch Up

ANN ARBOR, Mich. (August 21, 2012)—Customer satisfaction at the national level is exactly where it stood at the start of 2012, and as far back as two years ago, according to a report released today by the American Customer Satisfaction Index (ACSI). In the second quarter of 2012, aggregate customer satisfaction stays flat at 75.9 on a 0 to 100 scale, which won't help revive consumer spending or the sluggish economy at large.

“The good news is that customer satisfaction is not contracting and that it remains at a generally high level,” says Claes Fornell, ACSI founder and author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*. “While the U.S. economy is less likely to slip back into recession, its recovery will not speed up much either. If anxiety about the economy abated and overall customer satisfaction improved, this would lead to more demand, more household spending, and a quicker recovery.”

Better Quality Improves Outlook for Domestic & Foreign Nameplates

Customer satisfaction with the automobile and light vehicle industry improves for a second straight year, up 1.2% over last year to reach 84. The current score matches the industry's all-time high from 2009 when aggressive dealer incentives, combined with the government's “Cash for Clunkers” program, helped revive the recession-strapped auto industry.

The customer satisfaction gain spans both domestic and foreign nameplates, with about 60% of the brands showing upticks in their ACSI scores compared with 2011. Specifically, four of seven Asian nameplates, two of three European carmakers, and six of nine American brands all earn higher ACSI scores.

“The difference between the industry's high marks for customer satisfaction in 2012 versus 2009 is that customers are responding to better quality rather than price promotions,” says Fornell. “Overall industry sales are up compared to a year ago despite higher prices. An ongoing commitment to quality seems like a workable formula for sustaining both customer satisfaction and sales growth.”

While domestic nameplates show the greatest improvement overall, they continue to trail both European and Asian cars. Among the U.S. automakers, Ford continues to hold the lead at 86 (+1%), followed by an unchanged General Motors at 84. Chrysler stays in last

place overall, but makes the most progress in customer satisfaction with a 4% surge to 81.

Luxury Plates Set the Pace

As in previous years, luxury brands have the upper hand when it comes to pleasing customers. Lincoln recaptures the industry lead with a 5% gain to 90. The downside for Lincoln is that high satisfaction may reflect a loyal, but dwindling, customer base.

Toyota's Lexus follows closely in second place at 89, up 2% from its industry-leading score last year. Likewise, GM's Buick nameplate gains 2% to 87, while Cadillac dips 1% to 86. Germany's BMW rebounds from a sharp decline a year ago by jumping 4% to tie Cadillac at 86. BMW regains its customer satisfaction prowess at the same time as the company achieves its second-best-ever operating profit.

Subaru's score of 87 is the lone exception to luxury-plate dominance this year. The Japanese automaker rejoins the ACSI in 2012 after increasing its market share and beats its historic measures by 4 points or more.

Several automakers cluster at—or within 1 point of—the industry average of 84. The above-average group at 85 includes Hyundai (+2), Mercedes-Benz (-1%), Toyota (-2%), and Volkswagen (+1%). Those just below average at 83 are Ford (-1%), Honda (-2%), Jeep (+5%), and Nissan (-1%). GM's Chevrolet rises 2% to match the average at 84. The ACSI loss for Toyota's namesake brand is enough to strip away its number-one title from 2011, while Honda's downturn places it below average for the first time in ACSI history.

“While Japan's production is back on track after last year's earthquake and tsunami, both Toyota and Honda have had quality issues as they race to recapture market share,” says Fornell. “These two automakers, once known for setting the bar for quality, have issued a large number of recalls over the past year. ACSI data show that recalls for quality defects have a negative impact on customer satisfaction for automobile manufacturers.”

Across-the-Board ACSI Gains for Still-Lagging Chrysler

While Ford and GM show a mixture of gains and declines across their nameplates, all three Chrysler brands move forward in 2012. The company's Dodge and Chrysler nameplates improve 3% to 81 and 78, respectively, while Jeep accelerates 5% to 83—an all-time high. This rise in customer satisfaction marks a strong resurgence for Chrysler, which also is reflected in consumer demand. Chrysler's year-to-date sales are up 28%, outpacing Ford and GM's growth of 5% and 3%, respectively.

Nevertheless, Chrysler continues to play catch up in the overall ACSI rankings for the industry. Among its three brands, none meets or exceeds the industry average for customer satisfaction. Additionally, both Dodge and Chrysler continue to hug the bottom of the industry, posting the third-worst and worst scores this year. Sandwiched between the two, GM's GMC product line tumbles 4% to 80.

Two Asian carmakers are nestled among the Chrysler brands at the low end of the industry list: Mazda and Kia at 82. While Mazda zooms up 4% this year to match its all-

time ACSI high, the company continues to be a below-average performer compared with other brands.

About ACSI

The American Customer Satisfaction Index (ACSI) is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States. The ACSI uses data from interviews with roughly 70,000 customers annually as inputs to an econometric model for measuring satisfaction with more than 230 companies in 47 industries and 10 economic sectors, as well as over 100 services, programs, and websites of federal government agencies.

ACSI results are released on a monthly basis, with all measures reported using a scale of 0 to 100. 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. The ACSI can be found on the Web at www.theacsi.org.

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