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High Anxiety: Consumers Turn to Chocolate and Cigarettes

Third-quarter ACSI measures food, tobacco, beer, soft drinks, apparel, athletic shoes, personal care products and pet food companies.

ANN ARBOR, Mich.---With anxieties running high across the country, Americans are turning to comfort foods and tobacco to calm their fears---much like in the aftermath of 9/11 three years ago, the latest American Customer Satisfaction Index (ACSI) shows.

The ACSI for the third quarter of 2004 stands at 74.3, down slightly from 74.4 in the second quarter. However, customer satisfaction scores for individual companies like Hershey and Mars and the tobacco industry are up.

"The public's concern about safety, the war in Iraq, rising health care costs and oil prices, all fueled by the presidential election campaign, may have contributed to rising customer satisfaction with chocolate, candy and cigarettes," said Claes Fornell, director of the ACSI and professor at the Stephen M. Ross School of Business at the University of Michigan.

Fornell says that even a slight change in the overall ACSI in one quarter has historically signaled a change in proportional consumer spending the following quarter.

"From the third quarter of 2003, for instance, the ACSI prediction of fourth-quarter spending was 3.7 percent. The actual was 3.6 percent," Fornell said. "Based on the ACSI alone, and not considering other factors such as oil prices, employment and so on, the ACSI predicts that consumer spending will grow at a rate of 3.5 percent to 3.9 percent during the holiday retail season."

Chocolate and Candy Deliver High Satisfaction

Customer satisfaction with food products overall has been remarkably stable, according to Jack West, past president of the American Society for Quality, a co-sponsor of the ACSI.

"Hershey and Mars showed the greatest improvement from a year ago and remain near the top of the food industry," West said. "Hershey's recent announcement of record third-quarter and nine-month sales figures seems to support this conclusion."

Among all food manufacturing companies, Heinz remains the industry leader at 88, down two points from a year ago, followed closely by Hershey (87), Quaker Oats (86) and Mars (85). Although most companies are clustered relatively closely with scores in the

mid-80s, three companies---Campbell Soup, Dole and Tyson---declined this year to 79, matching the lowest score any food company has registered in the ACSI.

Tobacco: Low Prices Trump Heavy Advertising

Overall, customer satisfaction with cigarettes stands at 78, its highest level in four years. Smaller, discount cigarette-makers have a higher level of satisfaction than their larger competitors, the ACSI shows.

While Phillip Morris and R.J. Reynolds dominate the industry, smaller companies now account for 15 percent of the market. Big tobacco companies, Fornell says, have incurred large legal costs over the past few years and have subsequently raised prices on their premium brands, while smaller companies have been mostly immune from legal battles and have offered increasingly competitive prices.

"In a battle between high-profile advertising and price, discount cigarette-makers are competing on price and doing a pretty good job of it," Fornell said.

Beer Satisfaction Declines, Negative Advertising at Work

The beer industry declined 4 percent this quarter largely due to a drop for industry leader Anheuser-Busch to 79, its lowest score in five years. Anheuser-Busch has been the target of a negative advertising attack campaign launched by Miller Brewing, its chief competitor and No. 2 U.S. beer manufacturer. As Anheuser-Busch's satisfaction has declined, Miller announced 18 percent sales growth for Miller Lite in the first half of 2004, even though its satisfaction score of 79 is unchanged from a year ago.

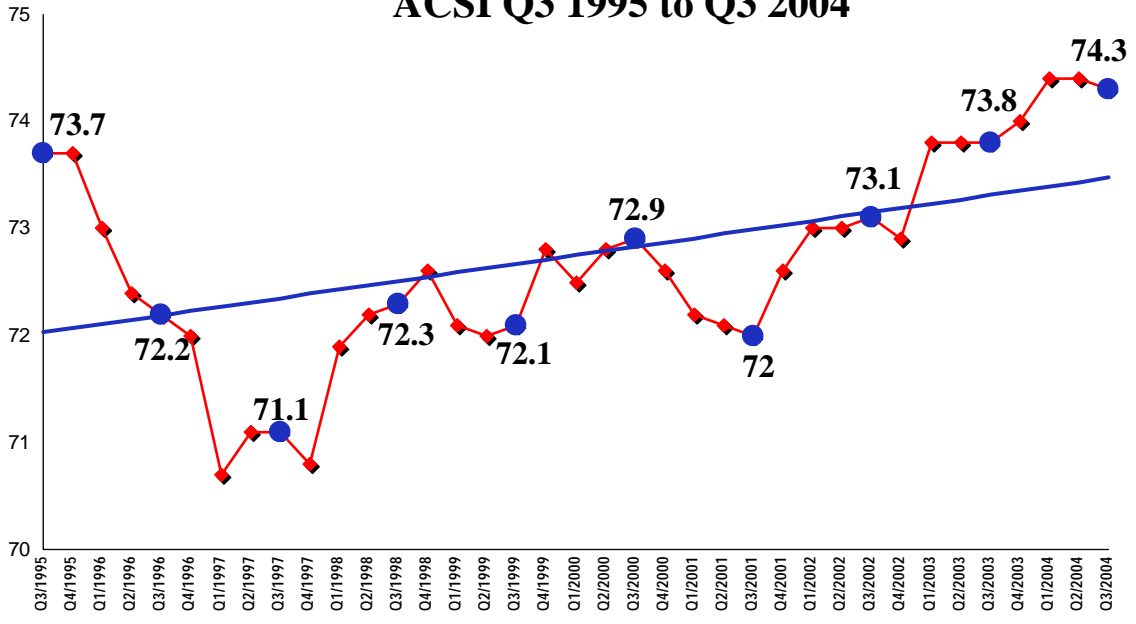
About the ACSI

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 more than 200 companies in 40 industries and from government agencies over the previous four quarters.

The index is produced by the Ross School of Business at the University of Michigan 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 Q3 1995 to Q3 2004



ACSI Over Time (Q3 2004 companies and industries)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	% Change from last	% Change from 1st
MANUFACTURING - NON-DURABLES	81.6	81.2	79.0	78.5	78.8	80.0	81.0	80.3	81.0	80.9	80.7	-0.3%	-1.1%
Food Manufacturing	84	84	83	81	81	81	81	82	81	81	81	0.0%	-3.6%
H.J. Heinz Company	89	87	90	86	86	85	90	89	88	90	88	-2.2%	-1.1%
Hershey Foods Corporation	86	88	88	84	84	86	85	86	87	85	87	2.4%	1.2%
Quaker (PepsiCo, Inc.)	82	82	82	85	83	83	86	86	87	86	86	0.0%	4.9%
Mars, Inc.	87	89	86	85	81	84	82	86	83	83	85	2.4%	-2.3%
Sara Lee Corporation	86	82	84	80	80	81	82	81	84	83	84	1.2%	-2.3%
General Mills, Inc.	83	81	86	81	82	81	82	83	83	83	84	1.2%	1.2%
Kraft Foods, Inc.	84	84	85	82	84	83	82	82	81	83	84	1.2%	0.0%
Nestle S.A.	88	86	82	83	83	81	84	83	83	83	83	0.0%	-5.7%
ConAgra Foods, Inc	83	83	82	80	80	80	82	81	83	84	82	-2.4%	-1.2%
Kellogg Company	84	84	85	81	83	81	83	83	81	82	81	-1.2%	-3.6%
All Others	83	83	81	80	80	80	80	81	80	80	81	1.3%	-2.4%
Campbell Soup Company	83	81	84	81	80	81	81	81	80	83	79	-4.8%	-4.8%
Dole Food Company, Inc.	90	90	85	79	82	80	82	81	82	82	79	-3.7%	-12.2%
Tyson Foods, Inc	83	80	79	80	79	79	81	80	80	81	79	-2.5%	-4.8%
Breweries-Beer	83	81	79	81	82	79	82	80	81	82	79	-3.7%	-4.8%
All Others	NM	79	78	83	83	81	83	81	82	84	82	-2.4%	3.8%
Anheuser-Busch Companies, Inc.	84	80	79	81	81	78	81	80	82	82	79	-3.7%	-6.0%
Miller Brewing Company (SABMiller plc)	80	82	78	81	81	81	81	78	79	79	79	0.0%	-1.3%
Adolph Coors Company	81	84	79	80	84	78	82	78	79	80	78	-2.5%	-3.7%
Beverages-Soft drinks	86	86	86	83	83	84	86	82	85	84	83	-1.2%	-3.5%
Cadbury Schweppes plc	NA	85	86	83	88	85	86	85	86	89	84	-5.6%	-1.2%
PepsiCo, Inc.	86	87	86	83	83	82	85	84	86	83	83	0.0%	-3.5%
The Coca Cola Company	85	85	87	84	82	84	86	81	85	83	83	0.0%	-2.4%

ACSI Over Time (Q3 2004 companies and industries)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	% Change from last	% Change from 1st
Cigarettes	81	82	77	77	75	76	78	76	76	76	78	2.6%	-3.7%
All Others	NM	NM	68	75	74	76	85	76	78	NM	80	NA	17.6%
Philip Morris USA Inc. (Altria Group, Inc.)	80	81	79	77	75	75	75	75	74	76	78	2.6%	-2.5%
Reynolds American Inc.	81	81	84	79	75	77	77	77	79	78	77	-1.3%	-4.9%
Apparel	82	81	78	77	79	79	79	79	80	80	79	-1.3%	-3.7%
Levi Strauss & Co.	84	83	80	81	75	76	79	80	78	80	80	0.0%	-4.8%
VF Corporation	83	80	80	81	79	78	82	84	82	84	79	-6.0%	-4.8%
All Others	79	80	78	77	79	79	79	79	80	80	79	-1.3%	0.0%
Sara Lee Corporation	83	81	75	81	77	78	78	76	78	80	79	-1.3%	-4.8%
Liz Claiborne, Inc.	84	81	81	77	78	76	79	79	80	78	79	1.3%	-6.0%
Jones Apparel Group, Inc.	NM	NM	NM	NM	NM	NM	NM	79	78	78	77	-1.3%	-2.5%
Athletic Shoes	79	79	77	74	74	76	79	76	79	79	82	3.8%	3.8%
All Others	NM	NM	NM	73	76	79	79	78	81	81	83	2.5%	13.7%
NIKE, Inc.	82	78	77	74	73	73	78	74	76	76	78	2.6%	-4.9%
Reebok International Ltd.	75	80	77	74	74	75	78	73	76	74	77	4.1%	2.7%
Personal Care & Cleaning Products	84	84	80	82	82	81	84	83	81	84	83	-1.2%	-1.2%
The Clorox Company	88	88	84	83	85	84	85	85	85	86	88	2.3%	0.0%
The Procter & Gamble Company	85	87	85	81	83	81	84	82	81	85	86	1.2%	1.2%
The Dial Corporation (Henkel KGaA)	86	85	85	83	81	79	85	84	84	85	85	0.0%	-1.2%
Unilever (Unilever PLC/Unilever N.V.)	84	83	83	82	83	81	85	83	83	85	85	0.0%	1.2%
Colgate-Palmolive Company	84	86	82	83	82	80	80	85	80	83	82	-1.2%	-2.4%
All Others	83	81	77	82	79	80	82	82	80	82	82	0.0%	-1.2%
Pet Foods	NM	NM	NM	83	81	82	83	82	82	82	83	1.2%	0.0%
Nestle Purina PetCare Company (Nestle S.A.)	NM	NM	NM	83	83	84	81	81	83	83	84	1.2%	1.2%
Hills Pet Nutrition, Inc. (Colgate-Palmolive Company)	NM	NM	NM	85	83	86	82	84	84	85	83	-2.4%	-2.4%
Mars, Inc.	NM	NM	NM	81	82	81	81	83	83	83	83	0.0%	2.5%
The Iams Company (The Procter & Gamble Company)	NM	NM	NM	NM	NM	NM	NM	80	82	85	82	-3.5%	2.5%
All Others	NM	NM	NM	NM	81	82	82	80	82	80	82	2.5%	1.2%
Del Monte Foods Company	NM	NM	NM	85	80	81	84	81	81	84	79	-6.0%	-7.1%