



FOR MORE INFORMATION
Chaat Butsunturn, Kearns & West
cbutsunturn@kearnswest.com
415-391-7900 x114
OR
Courtney Jenkins, Kearns & West
cjenkins@kearnswest.com
202-821-2120

ACSI: Consumers Find Comfort in Sweets; Smokers Fume over Cigarette Prices

Hershey, Nestle, Levi Strauss, Liz Claiborne and Anheuser-Busch Improve Customer Satisfaction; Philip Morris, Reynolds American, ConAgra and Colgate-Palmolive Plunge

ANN ARBOR, Mich. (November 17, 2009)—After a surge through the second quarter, aggregate customer satisfaction as measured by the American Customer Satisfaction Index (ACSI) stalls. The ACSI loses 0.1% for the third quarter, which brings the Index to a score of 76.0 on a 100-point scale. Still, the Index has improved since the depths of the recession and stands 1.3% higher than it was a year ago. Despite the slight drop in ACSI, many companies are improving their customer relationships: gainers lead decliners 45% to 39%, with 16% unchanged.

Because of the relatively sharp increase in customer satisfaction through the second quarter, the ACSI predictive model pointed to a consumer spending increase of 3.25%, much higher than most other predictions, but not quite high enough—actual third quarter consumer spending turned out to be 3.35%.

“For the short term, it seems unlikely that households will continue spending at that level, not only because customer satisfaction is no longer rising, but also because unemployment is getting worse and so is consumer confidence,” said Professor Claes Fornell, founder of the ACSI and author of *The Satisfied Customer*. “Some of the spending increase was also due to government programs, such as Cash for Clunkers, that have since expired. Unless something unforeseen happens, it is more likely that consumer spending for the fourth quarter will be below 3% and perhaps as low as 2%, even though retail sales may well be somewhat higher than last year.”

For the third quarter, the ACSI reports results for the nondurable goods sector, including apparel, athletic shoes, beer, cigarettes, food manufacturing, pet food, personal care & cleaning products, and soft drinks.

Food Companies: Comfort in Chocolate but not Frozen Dinners

Customer satisfaction with food companies is unchanged at 83. Top-performer Heinz (unchanged at 89) leads the industry for a tenth straight year, with cereal maker Quaker Oats (unchanged at 87) and chocolate makers Hershey (+2% to 87) and Mars (+1% to 87) close behind. Buyer satisfaction with Heinz ketchup and the many other food

products that the company manufactures ties luxury automakers Lexus and Cadillac for the highest score across all categories covered by ACSI.

Confectionary maker Nestlé also improves (+2% to 85), boosting satisfaction with manufacturers of sweets overall to an all-time high of 86. “The same thing happened in 2001 in the midst of the previous recession and also in 2004 when concern over the Iraq war and rising fuel prices appeared to be reflected in higher satisfaction with comfort foods,” said Fornell.

At the other end of the spectrum, ConAgra falls 7% to the bottom of the industry, matching the biggest drop ever for any company in the food category and reaching an all-time low of 78. ConAgra raised prices on its popular Banquet frozen dinners line and cut costs in other areas that have had a negative impact on satisfaction.

Cigarettes: New Federal Taxes Make It Costly to Smoke

A new tax increase on cigarettes, from 39 cents a pack to \$1.01, has led to a sharp downturn in customer satisfaction, falling 7.7% to 72, an all-time low. No company is immune from the effects of the new tax. Philip Morris drops 9% and Reynolds American 8%, both to 72.

“In the past, a 10% price increase in tobacco products contributed to about a 4% decline in consumption,” Fornell said. “The ACSI model suggests the most recent tax hike will have a similar effect.”

Customer satisfaction with tobacco products, largely made up of cigarettes, has never quite matched other nondurable products in customer satisfaction. Price has been an issue for a long time, and it also seems that there might be less differentiation than the advertising budgets imply.

Beer: A Comfort Drink?

Beer drinker satisfaction is at an all-time high, rising 1.2% to 84, perhaps following the same pattern as chocolate and sweets. Anheuser-Busch leads the way (+4% to 85), driven by increased sales of popular low-priced and newer products like Natural Light, Busch, Bud Light Lime and Golden Wheat. Parent company InBev has made a number of changes in business strategy over the past year that appear to be paying off.

Results for Miller (+1% to 83) and Coors (-2% to 81) brands are mixed. Coors in particular is composed of more higher-priced brands compared with Anheuser-Busch and may be feeling the effects of consumers seeking better value for money.

Personal Care & Cleaning Products: Clorox Cleans Up; Colgate Loses Its Sparkle

There is no change in the industry score for personal care & cleaning products, which remains at a record high of 85 for a third straight year. Clorox improves 1% to 88, tying its all-time high score and marking the thirteenth straight year it has been at least tied for the top spot. A total of 88% of Clorox products are either the No. 1 or No. 2 sellers in their categories. Clorox is followed closely by Unilever (unchanged at 87) with Procter & Gamble and Dial next at 85 (unchanged) and 84 (-1%), respectively. Colgate-Palmolive drops sharply after a big improvement in 2008, falling this year 5% to 83. Colgate appears to have a pattern of rolling out many new products with competitive pricing in one year, only to scale back and increase price the next.

Apparel: Levi Strauss from Worst to First

Apparel makes the largest leap in customer satisfaction of all the nondurables industries, rising 2.5% to 82. Levi Strauss leads the way, up 6% to tie Jones Apparel atop the industry lead at 83. The improvement for Levi Strauss moves the jeans maker all the way from the bottom to the top of the industry in just one year. Liz Claiborne is also making more customers happy, gaining 4% to 82, tying Hanesbrands (+3%) with VF following close behind, down 2% to 81.

Liz Claiborne seems to be getting a much needed boost from famed fashion designer Issac Mizrahi, whose first line for the clothing maker appeared in the spring, and from lower-priced offerings in its trendy Kate Spade and Juicy Couture lines. As for Levi Strauss, “perhaps it also benefits from a comfort factor similar to that produced by the chocolate makers,” said Fornell. “After all, Levi Strauss has been around for a long time and may well represent something familiar, trusted and American.”

For a complete list of measured companies and scores, please visit <http://www.theacsi.org>.

About the ACSI

Developed at the University of Michigan, 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.

###