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**CUSTOMER SATISFACTION IS DOWN A BIT, BUT CONSUMER SPENDING
SHOULD IMPROVE;**

ACSI: E-commerce companies are up, while conventional retail firms drop

MILWAUKEE, February 18, 2003---Although customer satisfaction dropped slightly in the last quarter and has been flat in the past year, household spending should rebound somewhat, according to the American Customer Satisfaction Index (ACSI), a leading indicator of consumer spending.

“Household expenditure growth dropped to a low 1 percent during the fourth quarter of 2002, so unless we have further increases in oil prices, terrorism or a collapse of housing prices, consumer spending should edge up,” said Prof. Claes Fornell, director of the University of Michigan Business School’s National Quality Research Center, which compiles and analyzes the ACSI data.

The ACSI, which measured U.S. customer satisfaction with the quality of products and services in the e-commerce, retail and finance sectors during the fourth quarter of 2002, slipped to 72.9 (on a 100-point scale) from 73.1 in the third quarter of last year. In the first half of 2002, the ACSI held steady at 73.

Fornell says that large quarterly fluctuations in consumer spending in recent times can be traced to the lack of pricing power, manifested not only in flat or falling prices, but also in resulting price promotions. Since buyer satisfaction is not improving, the lack of pricing power may well continue, he adds.

However, the ACSI shows several companies with rising customer satisfaction scores, due mainly to better service and quality, not lower prices, Fornell says.

In the e-commerce sector, for example, Amazon.com’s customer satisfaction score jumped 5 percent to an industry-best 88, the highest ACSI score ever for a service company. Barnes&Noble.com, right behind with a mark of 87, saw even greater improvement with a 6-percent increase.

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“The business model employed by Barnes & Noble, a multi-channel-focused retailer, is very different from the Amazon business model, a Web-only retailer superstore, yet both companies are excelling at satisfying their customers,” said Larry Freed, CEO and president of ForeSee Results, a company that measures Web customers’ satisfaction and forecasts customer behavior. “Amazon and Barnes & Noble have set the standard for online retailers.”

The ACSI score for the e-commerce sector, overall, increased 6 percent--from a score of 72.9 in the fourth quarter of 2001 to 77.6 last quarter. Other e-commerce companies that fared well include e-Bay (82), Expedia.com (80) and Buy.com (80). Priceline.com and uBid brought up the rear with scores of 71 and 70, respectively.

“The strong satisfaction scores in this sector continue to demonstrate the value of e-commerce to the consumer,” Freed said. “E-commerce is no longer a ‘nice-to-have’ for companies, but a requirement to compete.”

While customer satisfaction was up markedly for e-commerce companies, it was down slightly in the retail sector (from 74.8 to 74.6), although some companies in this sector showed improvement.

Among fast-food restaurants, for example, KFC (with a 10-percent jump to a score of 69), Little Caesar’s (a 6-percent rise to 74) and Burger King (a 5-percent increase to 68) showed solid improvement.

“KFC has shifted resources away from advertising and the promotion of ‘value items’ to customer service, food quality, menu selection and store atmosphere,” Fornell said. “Although KFC is not among the highest-scoring companies in the ACSI, the strategy appears to be paying off. It’s rare to have an increase of as much as 10 percent in customer satisfaction.”

For the fourth straight year, Papa John’s led the industry with an ACSI score of 76, followed closely by Domino’s Pizza (75), Wendy’s (74) and Little Caesar’s (74). Once again, McDonald’s posted the worst ACSI score (61) among fast-food companies.

“Embroided in fierce price competition, the world’s largest hamburger chain reported its first quarterly losses ever and its stock price is at a seven-year low,” Fornell said. “Its ACSI score has always been the lowest in the industry, with no signs of improvement. When customers worry about fat content and complain about quality, taste and service, price promotions are seldom a recipe for success.”

In addition to fast-food restaurants, the ACSI’s retail sector also includes department and discount stores, specialty retail stores, supermarkets and gas stations.

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Kohl's, which was included in the ACSI for the first time, scored highest among department stores and all companies measured in the retail sector, with a score of 84. Publix, once again, led all supermarkets with a score of 81, while Costco topped the specialty stores with a mark of 79 (a 4-percent increase). Target discount stores (78), Sam's Club (77) and the SUPERVALU grocery chain (77) also fared well in the retail sector.

On the other end of the spectrum, Home Depot (71) and Kmart (70) scored lowest among retail companies (excluding fast-food restaurants) and both also posted the largest drop in ACSI scores---a 5-percent decrease.

“Home Depot is suffering not only from deteriorating customer satisfaction, but also from a falling stock price and lower sales and earnings,” said Jack West, past president of the American Society for Quality, a co-sponsor of the ACSI. “Service quality, customer expectations and perceived value are down, while customer complaints are up. The addition of new stores and product lines may bring in new customers, but any growth may be offset by the loss of customers to archrival Lowe's with an ACSI score of 76, which is a 1.3 percent increase over 2001.”

Finally, the ACSI also measured customer satisfaction in the area of financial services---banks, life insurance, personal property insurance and health insurance. As a whole, the sector's ACSI score (73.8) fell for the first time since 1999.

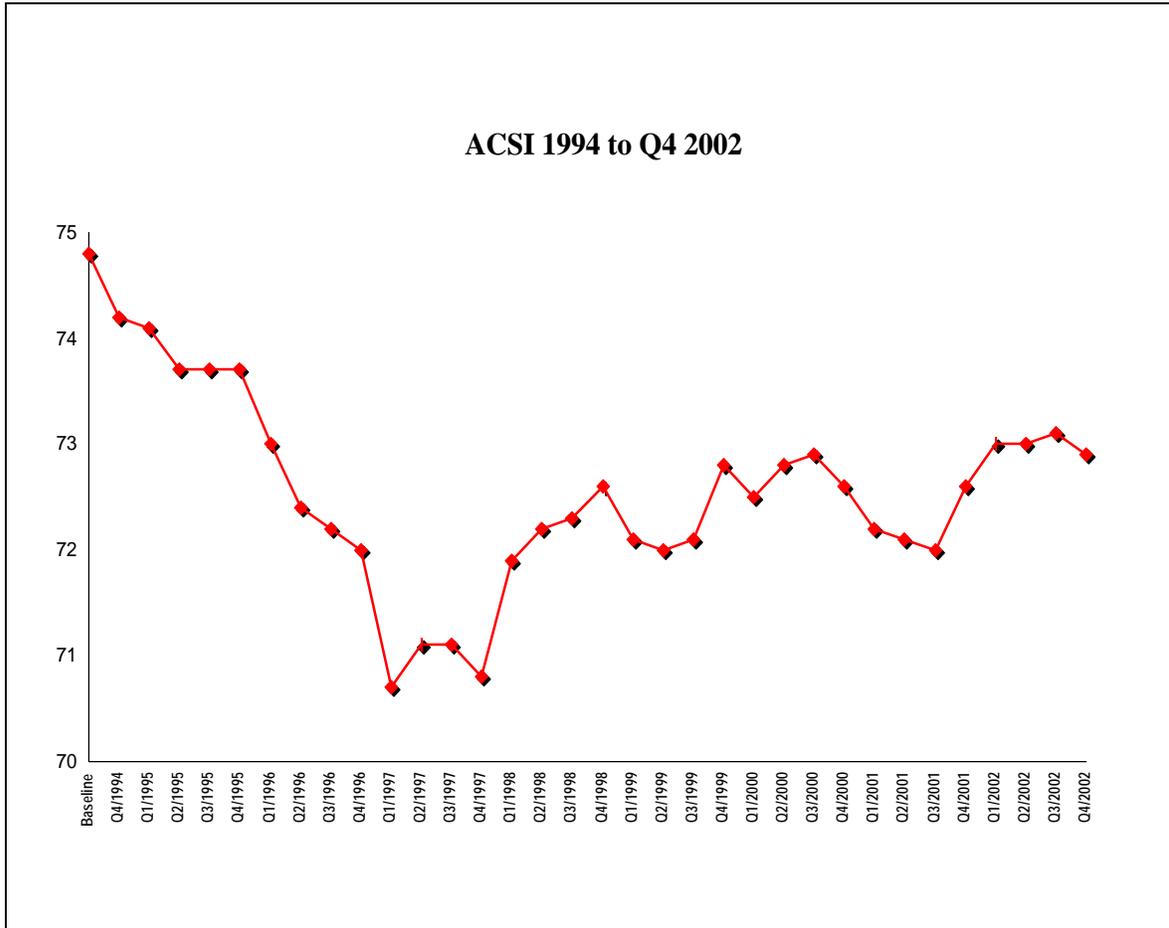
Life insurance companies scored highest in the finance category with New York Life (81) and Northwestern Mutual (80) leading the way. State Farm fared best among personal property insurance firms with a mark of 77 and Wachovia topped the banks with a score of 73. Although still fairly low, Blue Cross/Blue Shield's score of 70 (a 6 percent improvement) paced the health insurance field.

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 185 companies in 38 industries and from government agencies over the previous four quarters.

The index is produced by a partnership of the University of Michigan Business School, American Society for Quality and CFI Group, and supported in part by ForeSee Results, e-commerce corporate sponsor, and 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.

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ACSI Over Time (Q4 2002 companies and industries)

National ACSI = 72.9, down from 73.1 in Q3 2002												% Change from last year	% Change from 1st year
	Baseline	1994	1995	1996	1997	1998	1999	2000	2001	2002			
RETAIL	75.7	73.6	74.6	73.2	70.8	74.7	73.3	72.9	74.8	74.6		-0.3%	-1.5%
Department and Discount Stores	77	74	75	74	72	73	72	72	75	74		-1.3%	-3.9%
Kohl's Corporation	NM	NM	NM	NM	NM	NM	NM	NM	NM	84		NA	NA
Target Corporation-Discout	77	75	76	77	73	74	74	73	77	78		1.3%	1.3%
The May Department Stores Company	74	76	75	75	72	72	74	72	75	76		1.3%	2.7%
Dillard's, Inc.	75	76	74	74	73	71	68	72	75	75		0.0%	0.0%
Sears, Roebuck and Company	73	71	75	74	71	74	71	73	76	75		-1.3%	2.7%
Target Corporation-Department	NM	NM	76	74	72	74	72	72	74	75		1.4%	-1.3%
J.C. Penney Corporation, Inc.	79	76	77	78	75	75	75	74	75	74		-1.3%	-6.3%
Wal-Mart Stores, Inc.	80	80	81	74	76	75	72	73	75	74		-1.3%	-7.5%
AAFES	NM	NM	NM	69	69	68	70	70	74	73		-1.4%	5.8%
All Others	76	72	72	74	71	71	73	70	75	73		-2.7%	-3.9%
Federated Department Stores, Inc.	71	71	71	73	66	67	68	69	69	71		2.9%	0.0%
Kmart Corporation	74	70	72	72	68	71	67	67	74	70		-5.4%	-5.4%
Specialty Retail Stores	NM	NM	NM	NM	NM	NM	NM	NM	73	74		1.4%	1.4%
Costco Wholesale Corporation	NM	NM	NM	NM	NM	NM	79	77	76	79		3.9%	0.0%
Wal-Mart Stores, Inc. (Sam's Club)	NM	NM	NM	75	72	75	78	74	78	77		-1.3%	2.7%
Lowe's Companies, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	75	76		1.3%	1.3%
All Others	NM	NM	NM	NM	NM	NM	NM	NM	72	73		1.4%	1.4%
The Home Depot, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	75	71		-5.3%	-5.3%
Supermarkets	76	74	75	74	73	73	74	73	75	75		0.0%	-1.3%
PUBLIX Super Markets, Inc.	82	81	82	80	79	79	82	77	81	81		0.0%	-1.2%
SUPERVALU Inc.	77	77	77	75	74	77	75	75	76	77		1.3%	0.0%
Safeway Inc.	72	72	73	73	70	71	72	76	75	76		1.3%	5.6%
All Others	76	74	75	72	73	72	71	74	73	75		2.7%	-1.3%
The Kroger Company	78	76	76	74	74	73	74	71	75	75		0.0%	-3.8%
Albertson's, Inc.	75	74	77	77	72	70	73	70	72	73		1.4%	-2.7%
Winn-Dixie Stores, Inc.	76	74	75	75	74	74	71	74	72	73		1.4%	-3.9%
Restaurants-fast food-pizza-carry out	69	70	70	66	68	69	69	70	71	71		0.0%	2.9%
Papa John's International, Inc.	NM	NM	NM	NM	NM	NM	76	77	78	76		-2.6%	0.0%
Domino's, Inc.	67	67	70	68	68	70	67	69	73	75		2.7%	11.9%
All Others	73	75	74	75	73	74	74	72	73	74		1.4%	1.4%
Little Caesar Enterprises, Inc.	72	70	69	69	73	71	NM	69	70	74		5.7%	2.8%
Wendy's International, Inc.	72	71	73	71	69	73	71	70	72	74		2.8%	2.8%
Pizza Hut, Inc. (Yum! Brands, Inc.)	69	69	66	63	71	71	68	70	71	70		-1.4%	1.4%
KFC Corporation (Yum! Brands, Inc.)	67	69	68	69	67	64	64	65	63	69		9.5%	3.0%
Burger King Corporation	66	66	65	67	68	64	66	67	65	68		4.6%	3.0%
Taco Bell Corporation (Yum! Brands, Inc.)	66	65	66	66	67	64	64	63	66	67		1.5%	1.5%
McDonald's Corporation	63	65	63	60	60	61	61	59	62	61		-1.6%	-3.2%
Gasoline Service Stations	78	NM	80	77	78	79	76	75	77	76		-1.3%	-2.6%
FINANCIAL SERVICES	78.5	74.8	74.1	74.5	74.6	74.4	73.9	74.4	75.9	73.8		-2.8%	-6.0%
Banks	74	74	74	72	71	70	68	70	72	74		2.8%	0.0%
All Others	75	76	77	77	74	73	70	72	74	76		2.7%	1.3%
Wachovia Corporation	76	75	73	71	74	68	68	66	72	73		1.4%	-3.9%
Bank of America Corporation	72	68	67	65	61	62	61	63	68	70		2.9%	-2.8%
BANK ONE Corporation	77	75	74	69	70	68	66	70	66	70		6.1%	-9.1%
Wells Fargo & Company	71	69	71	65	62	67	65	67	66	69		4.5%	-2.8%
Life Insurance	81	75	74	75	76	77	76	75	78	79		1.3%	-2.5%
New York Life Insurance Company	NM	NM	NM	75	75	74	78	73	77	81		5.2%	8.0%
All Others	84	76	74	77	77	78	78	76	80	80		0.0%	-4.8%
Northwestern Mutual	NM	NM	NM	NM	NM	NM	79	80	78	80		2.6%	1.3%
Metropolitan Life Insurance Company	78	74	73	74	75	76	73	72	74	75		1.4%	-3.8%
Prudential Financial, Inc.	72	76	74	68	70	71	69	71	76	74		-2.6%	2.8%
Personal Property Insurance	82	76	75	77	77	77	79	79	79	77		-2.5%	-6.1%
All Others	84	76	75	78	77	78	80	79	79	78		-1.3%	-7.1%
State Farm Insurance Companies	78	78	79	77	78	78	78	79	79	77		-2.5%	-1.3%
The Allstate Corporation	74	75	73	74	71	73	73	75	76	74		-2.6%	0.0%
Farmers Group, Inc.	76	73	71	72	71	72	75	73	73	72		-1.4%	-5.3%
Health Care	NM	NM	NM	NM	NM	NM	NM	NM	68	69		1.5%	1.5%
Blue Cross and Blue Shield Association	NM	NM	NM	NM	NM	NM	NM	NM	66	70		6.1%	6.1%
All Others	NM	NM	NM	NM	NM	NM	NM	NM	70	69		-1.4%	-1.4%
UnitedHealth Group, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	66	68		3.0%	3.0%
Aetna Inc	NM	NM	NM	NM	NM	NM	NM	NM	64	65		1.6%	1.6%
E-COMMERCE	NM	NM	NM	NM	NM	NM	NM	73.2	72.9	77.6		6.4%	6.0%
Travel	NM	NM	NM	NM	NM	NM	NM	NM	NM	77		NA	NA
Expedia, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	NM	80		NA	NA
All Others	NM	NM	NM	NM	NM	NM	NM	NM	NM	77		NA	NA
Orbitz, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	NM	76		NA	NA
Travelocity.com Inc.	NM	NM	NM	NM	NM	NM	NM	NM	NM	76		NA	NA
Retail	NM	NM	NM	NM	NM	NM	NM	NM	78	77		7.8%	6.4%
Amazon.com, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	84	88		4.3%	4.8%
Barnesandnoble.com	NM	NM	NM	NM	NM	NM	NM	NM	77	87		6.1%	13.0%
All Others	NM	NM	NM	NM	NM	NM	NM	NM	77	82		9.3%	6.5%
Buy.com, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	78	80		2.6%	2.6%
1-800-Flowers.com, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	69	76		2.6%	13.0%
Auction/Reverse Auction	NM	NM	NM	NM	NM	NM	NM	NM	72	74		4.1%	6.9%
e-Bay, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	80	82		0.0%	2.5%
All Others	NM	NM	NM	NM	NM	NM	NM	NM	73	75		4.0%	6.8%
Priceline.com, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	66	69		2.9%	7.6%
uBid, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	67	69		1.4%	4.5%
Brokerage	NM	NM	NM	NM	NM	NM	NM	NM	72	69		5.8%	1.4%
The Charles Schwab Corporation	NM	NM	NM	NM	NM	NM	NM	NM	76	72		5.6%	0.0%
All Others	NM	NM	NM	NM	NM	NM	NM	NM	70	65		12.3%	4.3%
E*TRADE Group, Inc.	NM	NM	NM	NM	NM	NM	NM	NM	66	66		4.5%	4.5%