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AMERICAN CUSTOMER SATISFACTION INDEX RELEASES
SECOND-QUARTER REPORT

Autos, PCs, household appliances, cable/satellite TV: Consumer spending should remain fairly constant, despite less-satisfied customers

MILWAUKEE, August 20, 2001---With customer satisfaction down only slightly during the second quarter of this year, consumer spending should hold fairly steady in late summer and early fall--which may well save the economy from going into a recession, according to the American Customer Satisfaction Index (ACSI).

The ACSI, which dropped by 0.1 percent to a mark of 72.1 (out of a possible 100), measured customer satisfaction levels this quarter in the manufacturing durables (automobiles, personal computers, household appliances and consumer electronics) and cable and satellite television industries.

Professor Claes Fornell of the University of Michigan Business School says that a strong relationship exists between ACSI percentage changes for any given quarter and changes in consumer spending for the following quarter. In fact, he says, the ACSI alone accounts for 40 percent of the variation in spending from one quarter to the next.

"Over the past six years (since the inception of the ACSI), the relationship between ACSI and consumer spending appears to have been fairly immune to changes in consumer wealth and debt," says Fornell, director of the U-M Business School's National Quality Research Center, which compiles and analyzes the ACSI data. "Instead, the consumer's decision to spend appears to be driven more by personal gratification, irrespective of changes in discretionary income or personal debt."

Fornell says that even in the face of a weakening economy, consumers are still spending, although at a slower pace.

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"Despite no second-quarter improvement in customer satisfaction among the manufacturing durables sector, if the ACSI-consumer spending relationship holds, then there should be only a slight negative impact on spending for the next quarter," he says. "Once the tax rebate is factored in, it may well be that growth in spending remains steady for the third quarter."

Among the industries rated by the ACSI during this past quarter, only the automobile industry avoided an overall decline in customer satisfaction, compared with its second-quarter score from last year. On the other hand, it showed no improvement, either.

Once again, the automobile industry matched its record-high ACSI score of 80, set in 1995 and 2000. Although European automakers dropped somewhat (from a score of 84 to 83), they still maintain a lead in customer satisfaction over the Japanese (82) and domestic auto companies (79).

Cadillac has taken over the top spot from Mercedes Benz, with a score of 88. Mercedes Benz, BMW and Buick all came in with scores of 86.

"The high scores for Cadillac and Buick are surprising to some people, but customer satisfaction is as much about good customer selection and segmentation as it is about quality," Fornell says. "It is the fit between what the product offers and what the customer desires that is the key. Companies with tight homogeneous markets usually do better than companies with more diverse markets."

The largest improvement, once again, was made by Korean automaker Hyundai Motor Co., whose score has jumped from 68 in 1999 to 76 last year to 81 this year---a 19 percent surge in just two years.

"Hyundai's improvement in customer satisfaction has really paid off nicely," says Jack West, past president of the American Society for Quality (ASQ), a co-sponsor of the ACSI. "Sales are up dramatically and there are even waiting lists to buy some models. Hyundai also has the best warranties in the business and as the quality of its products has improved, warranty claims have decreased and customer satisfaction has increased."

On the other end of the ACSI scale, Dodge had the biggest drop from last year (about 5 percent) and its score of 77 is ahead of only Jeep-Eagle's mark of 76.

Fornell says that the much-publicized Ford Motor Co. recall of Firestone tires has had little impact on Ford's customer satisfaction, although its Lincoln-Mercury division registered the second-largest drop (3.5 percent, from a score of 85 to 82) within the auto sector.

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While customer satisfaction in the automobile industry has held steady, all other manufacturing durables measured in the second quarter showed overall declines.

Personal computers, with an overall industry score of 71, fell 4 percent. The scores for every PC company in the survey decreased, from Dell's high score of 78 to Compaq's low of 69. Gateway registered the largest drop (6 percent, from 78 to 73), followed by the 5-percent decline of IBM (from 75 to 71).

"In view of the fact that prices for PCs have dropped recently by almost 50 percent without much response in demand, it is uncertain just how price-elastic the PC market is," Fornell says. "There is little doubt, however, that demand is highly elastic with respect to customer satisfaction, which, of course, includes price as well."

The PC industry, he adds, used to score higher than the national ACSI, but despite improvement in product power, speed and range of application over the years, there is no evidence that customer service has improved.

West says that PC makers should take a lesson from the automobile manufacturers. "When you leave the door open for the competition to provide superior customer service, you are vulnerable to losing hard-won market share. The evidence is clear that superior value--a combination of price, quality, and service--is a winning strategy even in the face of an overall decline in demand. This is reflected in Dell's score."

Like the personal computers sector, household appliances and consumer electronics have both declined in the ACSI since last year. Customer satisfaction is down 3.5 percent (from 85 to 82) in the former and more than 2 percent (from 83 to 81) in the latter.

Despite the drop, household appliances remains one of the highest scoring industries, led by the Kenmore brand, which scored its all-time high of 86 (up 1 percent from a year ago). General Electric, Maytag and Whirlpool all came in with scores of 83, with the latter two showing declines of nearly 5 percent and 4 percent, respectively.

In addition to the manufacturing durables, this quarter's ACSI also looked at the cable and satellite television industry for the first time---an industry with nearly 100 million subscribers. According to West, however, companies in this sector do not have high customer satisfaction.

"With a sector-wide score of 64, it is lower than many industries that have had problems with customer satisfaction, including banks, phone companies, utilities and the postal service," West says.

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The scores range from EchoStar Communications' 71 and DirecTV's 70 to 63 for both AOL Time Warner and Charter Communications and an industry-low 62 for AT&T.

"As companies scramble for market share and continue to stretch their resources by large investments in technology, there seems to be a corresponding lack of attention paid to customers," Fornell says. "Price is perceived as high and quality as poor. This is not true for all companies, however, with customer satisfaction stronger for satellite companies, relative to cable companies. Nevertheless, customer loyalty is not high and there has been an increase in customer defections lately, possibly as a result of the efforts from the multimedia companies."

The ACSI is a national economic indicator of customer evaluations of the quality of goods 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 index is produced by a partnership of the U-M Business School, the American Society for Quality and CFI Group, and supported in part by Market Strategies Inc., a major corporate sponsor.

Company scores can be found on the U-M Business School's Web site: www.bus.umich.edu/acsi and on ASQ's Web site: www.asq.org. The Web site for CFI Group is www.cfigroup.com.

U of M Business School										Previous Year	First Year
National ACSI Q2/01 = 72.1, down 0.1										% Change	% Change
	1994	1995	1996	1997	1998	1999	2000	2001			
MANUFACTURING - DURABLES	79.2	79.8	78.8	78.4	77.9	77.3	79.4	78.7		-0.9%	-0.6%
PERSONAL COMPUTERS	78	75	73	70	71	72	74	71		-4.1%	-9.0%
Dell Computer Corporation	NM	NM	NM	72	74	76	80	78		-2.5%	8.3%
Apple Computer, Inc.	77	75	76	70	69	72	75	73		-2.7%	-5.2%
Gateway, Inc.	NM	NM	NM	NM	76	76	78	73		-6.4%	-3.9%
Hewlett-Packard Company	78	80	77	75	72	74	74	73		-1.4%	-6.4%
IBM	78	78	74	71	74	73	75	71		-5.3%	-9.0%
Compaq Computer Corporation	78	77	74	67	72	71	71	69		-2.8%	-11.5%
All Others	NM	70	73	72	69	69	68	67		-1.5%	-4.3%
HOUSEHOLD APPLIANCES	85	82	82	80	83	82	85	82		-3.5%	-3.5%
Kenmore	NM	NM	NM	NM	NM	85	85	86		1.2%	1.2%
General Electric Company	81	84	81	78	80	80	83	83		0.0%	2.5%
Maytag Corporation	85	87	83	85	84	84	87	83		-4.6%	-2.4%
Whirlpool Corporation	87	82	85	82	85	84	86	83		-3.5%	-4.6%
All Others	NM	78	81	79	79	80	78	80		2.6%	2.6%
CONSUMER ELECTRONICS	83	81	81	80	79	83	83	81		-2.4%	-2.4%
AUTOMOBILES	79	80	79	79	79	78	80	80		0.0%	1.3%
GM-Cadillac	NM	NM	88	84	88	85	86	88		2.3%	0.0%
Bayerische Motoren Werke AG (BMW)	82	81	81	80	86	86	84	86		2.4%	4.9%
DaimlerChrysler AG-Mercedes Benz	85	86	87	87	86	86	87	86		-1.1%	1.2%
GM-Buick	NM	NM	84	83	84	86	86	86		0.0%	2.4%
Honda Motor Company, Ltd.	85	86	83	82	81	83	82	83		1.2%	-2.4%
Toyota Motor Corporation	86	84	84	84	85	83	82	83		1.2%	-3.5%
Ford Motor Company-Lincoln-Mercury	79	84	80	81	83	82	85	82		-3.5%	3.8%
Ford Motor Company-Volvo	82	84	84	84	81	80	82	81		-1.2%	-1.2%
GM-Oldsmobile	NM	NM	82	82	82	81	80	81		1.3%	-1.2%
Hyundai Motor Company	68	68	69	68	72	68	76	81		6.6%	19.1%
Volkswagen AG	74	76	76	79	78	82	83	81		-2.4%	9.5%
GM-Saturn	84	83	81	82	85	80	82	80		-2.4%	-4.8%
Nissan Motor Company, Ltd.	83	82	80	79	77	79	78	80		2.6%	-3.6%
All Others	NM	81	79	73	74	76	75	79		5.3%	-2.5%
GM-GMC Truck	NM	NM	NM	80	78	81	81	79		-2.5%	-1.3%
DaimlerChrysler AG-Chrysler/Plymouth	81	82	80	80	80	79	80	78		-2.5%	-3.7%
Ford Motor Company-Ford	75	79	78	77	77	77	77	78		1.3%	4.0%
GM-Chevrolet	77	79	79	78	79	76	80	78		-2.5%	1.3%
GM-Pontiac	76	79	78	78	76	78	78	78		0.0%	2.6%
Mazda Motor Corporation	78	77	75	74	77	76	78	78		0.0%	0.0%
DaimlerChrysler AG-Dodge	80	77	77	77	78	75	81	77		-4.9%	-3.8%
DaimlerChrysler AG-Jeep/Eagle	78	77	76	74	77	77	75	76		1.3%	-2.6%
TRANSPORTATION/COMM./UTILITIES											
CABLE & SATELLITE TV								64		NA	NA
EchoStar Communications Corp.								71		NA	NA
DIRECTV, Inc.								70		NA	NA
Comcast Corporation								64		NA	NA
AOL Time Warner Inc.								63		NA	NA
Charter Communications, Inc.								63		NA	NA
All Others								62		NA	NA
AT&T Corporation								62		NA	NA

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