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AMERICAN CUSTOMER SATISFACTION INDEX 2ND-QUARTER REPORT:
*Consumer Spending Should Rebound As Customer Satisfaction Holds Steady In
Manufacturing Durables And E-Business.*

MILWAUKEE, August 19, 2002---Although customer satisfaction remained the same for the second quarter of this year---following two straight quarters of improvement---household spending should not weaken, according to the American Customer Satisfaction Index. The ACSI, which held steady at 73 (out of a possible 100), measured customer satisfaction levels this quarter in manufacturing durables (automobiles, personal computers, household appliances and consumer electronics) and e-business (Web portals, search engines and news sites).

Professor Claes Fornell, director of the University of Michigan Business School's National Quality Research Center, which compiles and analyzes the quarterly ACSI data, says that an obvious relationship exists between spending and the resulting satisfaction of the spender. It shows up, he says, in the correlation between the ACSI and government statistics on personal spending.

"Even though the ACSI is unchanged for this quarter, the historical relationship between spending and satisfaction would have suggested a higher level of spending than what was reported by the Commerce Department for the second quarter," Fornell says. "Barring extraordinary or unexpected events, it would therefore be reasonable to expect a modest rebound in consumer spending for the remainder of the year."

Like consumer spending, the relationship between customer satisfaction and stock prices is also evident, Fornell adds.

"If a large improvement in the ACSI for one quarter is followed by a smaller ACSI gain or by a negative change the next quarter, the stock market has generally gone down," he says. "The first two quarters of 2002 are examples of this. Both show a deceleration of ACSI growth, with the second quarter having no growth at all.

- more -

ACSI, page 2

“The importance of customer satisfaction in a market economy is further underscored by looking at the stock prices of individual firms over time. If a company manages its ‘customer assets’ poorly, as suggested by low or declining ACSI scores, how likely is it that it manages other assets well? Companies such as WorldCom, Qwest, USAir, Kmart, Charter Communications, Comcast and AOL have all been punished harshly by the stock market. Some have filed for bankruptcy protection. What they also have in common is inferior ACSI performance.”

In the current ACSI, scores for all four sectors in the manufacturing durables category remained the same: household appliances 82, consumer electronics 81, automobiles 80 and personal computers 71.

For the third year in a row, the automobile industry matched its record-high score. In fact, the industry average has always stayed within a three-point range, from 78 to 80. BMW, Buick and Cadillac once again scored highest with a mark of 86, while several car brands, including Dodge, Ford, Chevrolet, Pontiac and Hyundai, registered the lowest scores, all at 78.

Mazda and DaimlerChrysler’s Jeep division showed the most improvement---4 percent---with ACSI scores of 81 and 79, respectively. In contrast, scores for Mercedes-Benz and Hyundai declined by the same percentage.

Fornell says that while the overall ACSI score for automobiles has not changed much over time, the difference between the highest-scoring and lowest-scoring automakers has shrunk from 18 points in 1994 to just eight points today.

“In other words, car manufacturers have not managed to increase their customers’ satisfaction, but the ACSI has not deteriorated, either,” he says. “The industry continues to score very well. Today, all car manufacturers deliver high levels of customer satisfaction, but the difference between them is fading.”

Jack West, past president of the American Society for Quality, a co-sponsor of the ACSI, says that this holds true even when comparing domestic automakers with their international counterparts.

“When the ACSI started in 1994, the Japanese were well out in front with high quality and customer satisfaction scores, with European car companies right behind them,” he says. “U.S. auto manufacturers trailed both, but today they have pulled just about even with the Japanese, while the Europeans now have a narrow lead overall.”

Similar to automobiles, the ACSI score for the household appliance industry remains high and unchanged, much like it has in the nine years since the ACSI began.

- more -

ACSI, page 3

Kenmore, which slipped a bit from its high score of 86 a year ago, still has the best ACSI score in the category---83---but it's the same mark registered by Maytag and Whirlpool, whose scores did not change from last year. General Electric scored 82.

“From a competitive point of view, nobody seems to have an edge,” Fornell says. “Any differentiation is marginal. Even though there are differences in market share, distribution and branding, customers perceive all major competitors not only as stable, but also as remarkably similar---all have high levels of satisfaction and all score well on product quality and customer loyalty.”

Although the ACSI score for the personal computers sector did not change from a year ago, customer satisfaction with PCs is substantially below what it used to be and lags the overall ACSI average, Fornell says.

Dell, with a score of 76, continues to lead the industry, but its score has dropped by 5 percent over the last two years. The gap between Dell and its competitors has narrowed, with Apple now scoring 73, Gateway 72 and Hewlett-Packard 71.

“Nevertheless, as PC shipments have fallen, Dell has increased its share through aggressive advertising and price cuts,” Fornell says. “The company still enjoys a lead in customer satisfaction and in customer retention. However, further erosion in customer service and satisfaction may adversely impact repeat business. This is critical because most PC purchases are from repeat buyers.”

In addition to manufacturing durables, this quarter's ACSI also looked at Internet e-business---Web portals, and for the first time, search engines and news sites.

The ACSI score for portals has climbed from 63 in 2000 to 65 in 2001 to 68 this year, with every portal provider improving from last year. Yahoo again set the pace for this category with a score of 76 (up from 73 a year ago), with Microsoft's MSN improving to 72 (up from 67) and America Online up one point to a still-very-low 59.

Larry Freed, CEO and president of ForeSee Results, a company that measures Web customers' satisfaction and forecasts customers' behaviors, says that AOL's low ACSI score is alarming in light of the improvements by its competitors.

“While AOL has made marginal improvements in satisfaction, loyalty and retention, it is still lagging significantly behind MSN and Yahoo in those areas,” Freed says. “As a result, the overall customer satisfaction scores between AOL and its competitors are widening---which is reflected in its disappointing financial performance and subscriber growth.

- more -

ACSI, page 4

“Meanwhile, MSN and Yahoo both have experienced increased customer expectations by 4.1 percent and 5.6 percent, respectively, from 2001 to 2002, and yet managed to increase customer satisfaction levels, as well. This is an encouraging sign that portals are better responding to meeting their customers’ needs.”

Among search engines, which scored 68 overall in the ACSI, Google is head-and-shoulders above the rest, registering a mark of 80. Ask Jeeves and Alta Vista were well behind with scores of 62 and 61, respectively.

Such a difference among competitors, says Fornell, is extremely rare and usually limited to evolving industries. Google has much higher customer loyalty than its competitors, he adds, because it provides faster delivery speeds and more relevant results than other search engines, receiving about 150 million queries per day.

Finally, news and information sites, which saw the number of online visitors increase dramatically after the Sept. 11 terrorist attacks, had an overall score of 73. ABCNews.com led the way with a mark of 74, followed by MSNBC.com’s 73, CNN.com’s 72 and a 71 for NYTimes.com and USAToday.com.

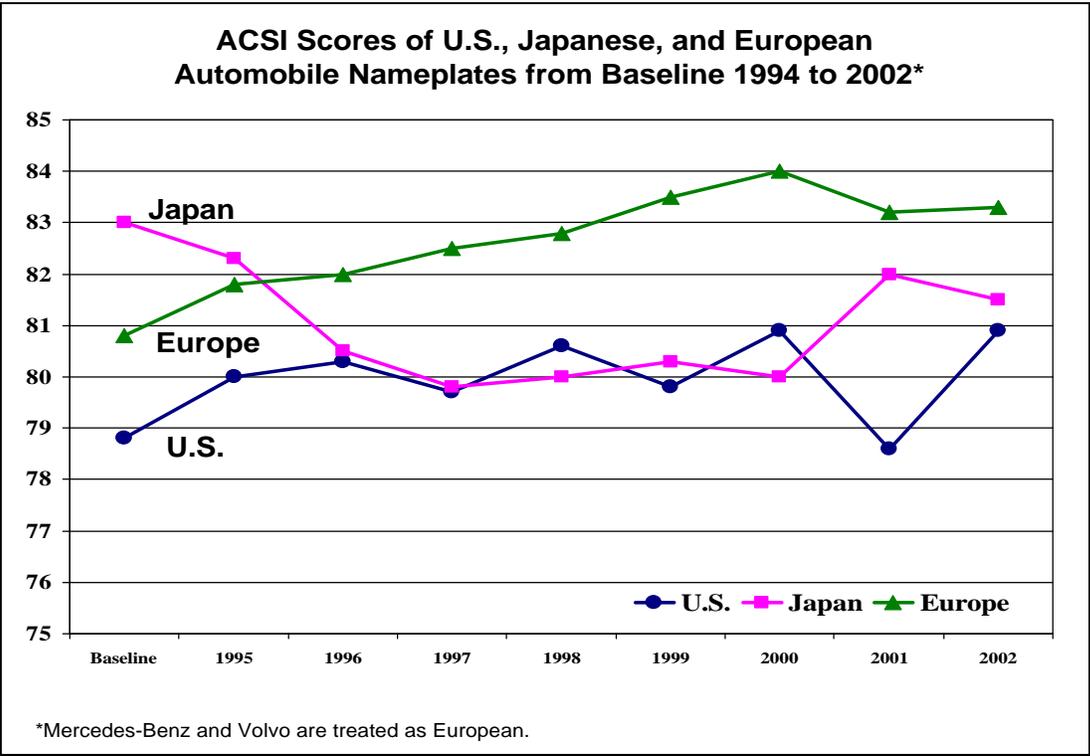
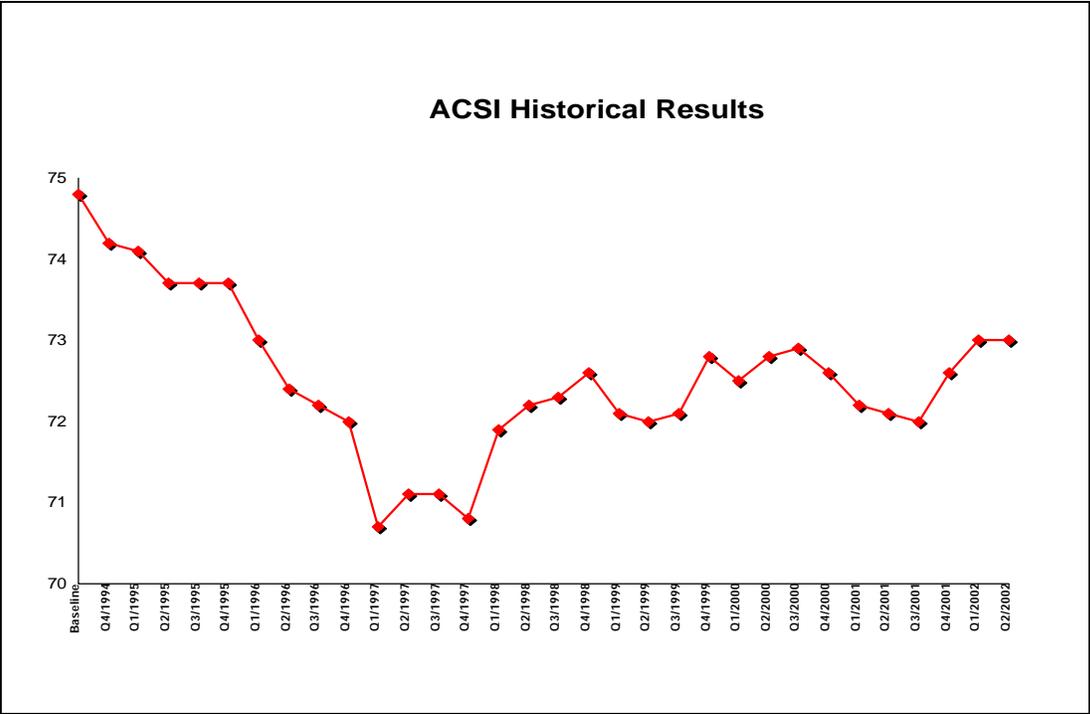
The ACSI is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States. It is updated each quarter with new measures for different sectors of the economy replacing data from the prior year. The overall ACSI score for a given quarter factors in scores from 185 companies in 35 industries and from government agencies over the previous four quarters.

The index is produced by a partnership of the U-M Business School, American Society for Quality and CFI Group. It is also supported in part by ForeSee Results, e-business corporate sponsor, and Market Strategies Inc., a major corporate sponsor. 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											% Change	% Change
National ACSI Q2/02 = 73.0, unchanged from Q1/2002											from last	from 1st
MANUFACTURING - DURABLES	1994	1995	1996	1997	1998	1999	2000	2001	2002	2002	year	year measured
	79.2	79.8	78.8	78.4	77.9	77.3	79.4	78.7	79.0		0.4%	-0.3%
Personal computers	78	75	73	70	71	72	74	71	71		0.0%	-9.0%
Dell Computer Corporation	NM	NM	NM	72	74	76	80	78	76		-2.6%	5.6%
Apple Computer, Inc.	77	75	76	70	69	72	75	73	73		0.0%	-5.2%
Gateway, Inc.	NM	NM	NM	NM	76	76	78	73	72		-1.4%	-5.3%
Hewlett-Packard Company	78	80	77	75	72	74	74	73	71		-2.7%	-9.0%
All Others	NM	70	73	72	69	69	68	67	70		4.5%	0.0%
Compaq Computer Corporation	78	77	74	67	72	71	71	69	68		-1.4%	-12.8%
Household appliances	85	82	82	80	83	82	85	82	82		0.0%	-3.5%
Kenmore	NM	NM	NM	NM	NM	85	85	86	83		-3.5%	-2.4%
Maytag Corporation	85	87	83	85	84	84	87	83	83		0.0%	-2.4%
Whirlpool Corporation	87	82	85	82	85	84	86	83	83		0.0%	-4.6%
General Electric Company	81	84	81	78	80	80	83	83	82		-1.2%	1.2%
All Others	NM	78	81	79	79	80	78	80	77		-3.8%	2.6%
Consumer electronics	83	81	81	80	79	83	83	81	81		0.0%	-2.4%
Automobiles	79	80	79	79	79	78	80	80	80		0.0%	1.3%
Bayerische Motoren Werke AG (BMW)	82	81	81	80	86	86	84	86	86		0.0%	4.9%
GM-Buick	NM	NM	84	83	84	86	86	86	86		0.0%	2.4%
GM-Cadillac	NM	NM	88	84	88	85	86	88	86		-2.3%	-2.3%
Ford Motor Company-Lincoln-Mercury	79	84	80	81	83	82	85	82	84		2.4%	6.3%
DaimlerChrysler AG-Mercedes Benz	85	86	87	87	86	86	87	86	83		-3.5%	-2.4%
Toyota Motor Corporation	86	84	84	84	85	83	82	83	83		0.0%	-3.5%
Ford Motor Company-Volvo	82	84	84	84	81	80	82	81	82		1.2%	0.0%
GM-Oldsmobile	NM	NM	82	82	82	81	80	81	82		1.2%	0.0%
Honda Motor Company, Ltd.	85	86	83	82	81	83	82	83	82		-1.2%	-3.5%
Volkswagen AG	74	76	76	79	78	82	83	81	82		1.2%	10.8%
GM-GMC Truck	NM	NM	NM	80	78	81	81	79	81		2.5%	1.3%
GM-Saturn	84	83	81	82	85	80	82	80	81		1.3%	-3.6%
Mazda Motor Corporation	78	77	75	74	77	76	78	78	81		3.8%	3.8%
DaimlerChrysler AG-Chrysler/Plymouth	81	82	80	80	80	79	80	78	80		2.6%	-1.2%
Nissan Motor Company, Ltd.	83	82	80	79	77	79	78	80	80		0.0%	-3.6%
DaimlerChrysler AG-Jeep	78	77	76	74	77	77	75	76	79		3.9%	1.3%
DaimlerChrysler AG-Dodge	80	77	77	77	78	75	81	77	78		1.3%	-2.5%
Ford Motor Company-Ford	75	79	78	77	77	77	77	78	78		0.0%	4.0%
GM-Chevrolet	77	79	79	78	79	76	80	78	78		0.0%	1.3%
GM-Pontiac	76	79	78	78	76	78	78	78	78		0.0%	2.6%
Hyundai Motor Company	68	68	69	68	72	68	76	81	78		-3.7%	14.7%
All Others	NM	81	79	73	74	76	75	79	77		-2.5%	-4.9%
E-BUSINESS	NM	68.7		NA	NA							
Portals	NM	NM	NM	NM	NM	NM	63	65	68		NA	NA
Yahoo! Inc.	NM	NM	NM	NM	NM	NM	74	73	76		NA	NA
All Others	NM	NM	NM	NM	NM	NM	67	72	72		NA	NA
MSN (Microsoft Corporation)	NM	NM	NM	NM	NM	NM	71	67	72		NA	NA
AOL (AOL Time Warner)	NM	NM	NM	NM	NM	NM	56	58	59		NA	NA
Search Engines	NM	68		NA	NA							
Google Inc.	NM	80		NA	NA							
Ask Jeeves, Inc.	NM	62		NA	NA							
AltaVista Company	NM	61		NA	NA							
News & Information	NM	73		NA	NA							
ABCNews.Com (Walt Disney Internet Group)	NM	74		NA	NA							
All Others	NM	73		NA	NA							
MSNBC.Com (NBC/Microsoft Corporation)	NM	73		NA	NA							
CNN.Com (AOL Time Warner, Inc.)	NM	72		NA	NA							
NYTimes.Com (The New York Times Company)	NM	71		NA	NA							
USAToday.Com (Gannett Company, Inc.)	NM	71		NA	NA							

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