Commentary on Breweries, Cigarettes, Personal Care & Cleaning Products, and Soft Drinks

U.S. Consumption Drops, But Beer and Soda Drinkers Remain Quite Satisfied

Beverages
Customers remain pleased with two beverage categories—soft drinks and beer—despite overall declines in U.S. consumption of these nondurable products. Customer satisfaction with soft drinks inches up 1.2% to an ACSI score of 85 and ties electronics (televisions and disc players) as the highest-scoring industry in the ACSI. A wide variety of product offerings, product reliability, low unit price, minimal buyer switching costs—plus the fact that purchasing and consuming hardly requires any customer service assistance—keep soft drinks on top.

The increase for the category is driven by small gains for the two largest companies—Coca-Cola and PepsiCo both improve 1% to share the lead at 85—as well as a big boost for the category of smaller brands such as Faygo, Shasta, and store brands, which rises 5% to 83. By contrast, last year’s industry leader, Dr Pepper Snapple Group, drops 4% to the bottom of the category with 82. Value for money, as perceived by consumers, has diminished and recent price increases seem to be the culprit.

Price sensitivity is also an issue for beer consumers. Customer satisfaction with beer is lower than satisfaction with soft drinks, and consumption of beer is also less than half of the consumption of soft drinks. A year after falling from its all-time high in 2009, the brewing industry has stabilized with an ACSI score of 82.

There is not much change among the individual breweries. Miller makes a small gain of 1% to 84 to lead the category, edging out the aggregate of all smaller brands such as Corona, Heineken, Samuel Adams, and the microbreweries (unchanged at 83). At the other end of the spectrum, Anheuser-Busch InBev (-1%) and Molson Coors (unchanged) anchor the bottom at 81. Competitive pricing makes a difference, particularly for Coors, which is generally priced higher than the other big brands.

Tobacco
Along with soft drinks and beer, cigarette consumption continues to drop in the United States. Breweries, soft drink makers, and tobacco companies are depending on growing
sales abroad, combined with a shrinking base of satisfied customers at home. Customer satisfaction with tobacco products picks up for a second consecutive year, rising 2.6% to an ACSI score of 78. This completes the recovery from the 2009 downturn, when new tobacco taxes pushed retail prices up and customer satisfaction fell sharply.

The quality of tobacco products has never been much of an issue for smokers—their satisfaction is much more sensitive to changes in price, which is why the industry’s ACSI score is the weakest among nondurables. The satisfaction gains for tobacco over the past two years suggest that the tax jolt has dulled with the passing of time.

Philip Morris emerges as the industry leader in customer satisfaction, rising 4% to an ACSI score of 80—the company’s highest in 16 years. Reynolds American also gains, up 3% to 77, but now trails significantly behind Philip Morris. Both of the major U.S. tobacco players appear to have benefitted from a continued emphasis on price promotions—sometimes as much as 65 cents per pack of cigarettes—in an effort to drive up sales.

**Personal Care & Cleaning Products**
ACSI measures customer satisfaction with a wide array of products for personal use in the home—from shampoo, soap, and toothpaste to detergents and cleaning products. A year after declining for the first time since 2004, customer satisfaction with personal care and cleaning products is unchanged at an ACSI score of 83. Clorox recaptures the industry lead, rising 2% to 88, and is well ahead of rest of the pack. Other manufacturers are grouped near the industry average with tied scores of 84: Colgate-Palmolive (-1%), Dial (+1%), and the aggregate of all smaller manufacturers (+2%).

Procter & Gamble remains at the bottom, albeit just below the industry average, with an unchanged score of 82. P&G may still be wrestling with pricing, as many households look for ways to stretch scarcer dollars. This year P&G is joined by Unilever, which plummets 6% to 82, falling from the industry’s top to its bottom. Unilever, whose largest brands include soaps and shampoos like Dove, Lever2000, and Suave, also faces challenges from an increasingly price-conscious consumer base. Unlike P&G, sagging quality as reported by customers appears to be an even bigger and more recent problem for Unilever.

**About ACSI**
The American Customer Satisfaction Index (ACSI) is the only uniform, cross-industry measure of customer satisfaction proven to predict financial results. Founded at the University of Michigan’s Ross School of Business, the ACSI is a leading economic indicator of consumer spending in the United States.

The ACSI measures more than 225 companies and organizations across 47 industries, representing close to half of the U.S. economy. Nearly 20 years of data from the ACSI show that customer satisfaction is an indicator of financial results on both macro and
microeconomic levels, including shareholder value and cash flow volatility. The U.S. Federal Government also uses the ACSI as the gold standard of satisfaction measurement for its agencies. The ACSI can be found on the Web at www.theacsi.org.