Japan Improves While Detroit Stalls; Aggregate ACSI Growth Too Weak to Bolster Increase in Consumer Spending

Toyota and Lexus Brands Retake ACSI Lead With Cadillac in Tow; Lincoln and Buick Shift Into Reverse; Chrysler Slumps

ANN ARBOR, Mich., (August 16, 2011)—A customer satisfaction resurgence for international carmakers puts Detroit’s fledgling recovery in jeopardy, according to a report released today by the American Customer Satisfaction Index (ACSI). The report covers customer satisfaction with an array of nameplates offered by domestic and foreign automobile manufacturers, along with an update of the national ACSI.

ACSI and the National Economy: No Lift in Consumer Demand
Second quarter results for the aggregate national ACSI, calibrated for all companies measured in the past 12 months, reveal marginal improvement compared to the first quarter, gaining 0.1% to a score of 75.7 on ACSI’s 0-100 scale—not enough to make a dent in consumer spending or spur economic growth.

“Not only is the increase in the nation’s overall customer satisfaction minute, its impact on consumer demand weakens in a struggling economy,” says Claes Fornell, founder of the ACSI and author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*. “While demand generally shifts to companies that do a good job of satisfying their customers, aggregate demand in times of economic distress is hampered by other factors, such as doubt about the future, job uncertainty, and lack of discretionary income.”

Automobiles: Clouds Darken for Detroit
Japan scores big with two entries among the top three positions in ACSI. After falling last year amidst major quality problems, Toyota’s Lexus (+2%) and the Toyota (+4%) brand itself glide into first place at 87, matched by GM’s Cadillac (+1%). Overall, the auto industry ACSI score improves by 1.2% to 83.

Detroit’s 2010 capture of the ACSI lead proves short-lived as the defending customer satisfaction champs, Lincoln and Buick, endure a 3% slump to 86 and 85, respectively. Mercedes-Benz holds steady at 86, while Honda inches up 1% to 85. Among the top seven ACSI carmakers, five are luxury brands, with Japan’s best U.S. sellers (Honda and Toyota) rounding out the group.
Small gains of 2% take both the Ford nameplate and Nissan to their best-ever ACSI scores of 84. Recovering from a steep drop in 2010, Volkswagen also hits 84 (+4%), but stays shy of its record high (86 in 2009). At mid-industry, BMW trails other luxury brands, tumbling 4% to a 14-year low of 83 and finding itself in the company of Hyundai (+1%) and GMC (-1%). Chevrolet (+3%) and Kia (+1%) follow at 82 and 81, respectively.

The worst scores in the industry go to Chrysler, despite small-to-modest gains for its Dodge (+1%) and Jeep (+3%) product lines. At 79, both nameplates tie Mazda (-1%)—the weakest Japanese offering—while the Chrysler brand itself suffers a second consecutive 5% slump to 76.

Detroit saw a respite in competition in the past year, with profit and market share benefitting from quality and supply problems faced by Japanese carmakers, but now the real test for the domestic car industry is about to begin. Not only is customer satisfaction heading in the wrong direction and lower than international competition, Toyota and Honda are adding large price discounts as they attempt to recoup market share.

“Price discounting by Japanese automakers will make competition very difficult for all others, especially since industry sales remain weak,” says Fornell. “It used to be Detroit that was forced to use buyer incentives to compensate for its weaker customer satisfaction. Now, with the Japanese using discounts in addition to their strong customer satisfaction, Detroit will probably have no choice but to respond in kind, putting more pressure on profit margins as a result.”

While domestic sales have increased (the exceptions are the Chrysler and Lincoln nameplates with negative year-to-date sales growth), lower customer satisfaction could impede Detroit’s comeback. “Production challenges for Japanese automakers provided an opportunity for Detroit to increase both market share and earnings, but declining customer satisfaction will make it difficult to sustain these gains as the Japanese companies begin to recover,” notes Fornell.

Customer satisfaction averages for the three U.S. automakers show Ford maintaining its lead at 85, followed by General Motors at 84 (both down 1% from last year). Chrysler, in contrast, lags significantly behind at an average of 78, occupying the most precarious position with regard to both domestic and international competition.

About ACSI
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. Data from interviews with approximately 70,000 customers annually are used as inputs into an econometric model to measure satisfaction with more than 225 companies in 47 industries and 10 economic sectors, as well as more than 130 federal government programs, agencies, and websites. Results are released on a monthly basis with all measures reported using a 0-100 scale. ACSI data have proven to be strongly
related to a number of essential indicators of micro and macroeconomic performance. For example, firms with higher levels of customer satisfaction tend to have higher earnings and stock returns relative to competitors. Stock portfolios based on companies that show strong performance in ACSI deliver excess returns in up markets as well as down markets. And, at the macro level, customer satisfaction has been shown to be predictive of both consumer spending and gross domestic product growth.

The Index was founded at the University of Michigan’s Ross School of Business and is produced by ACSI LLC. ACSI can be found on the Web at www.theacsi.org.

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