ABOUT ACSI

The American Customer Satisfaction Index (ACSI®) is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States.

The ACSI uses data from interviews with roughly 180,000 customers annually as inputs to an econometric model for analyzing customer satisfaction with more than 300 companies in 43 industries and 10 economic sectors, including various services of federal and local government agencies.

ACSI results are released throughout the year, with all measures reported on a scale of 0 to 100. ACSI data have proven to be strongly related to several 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. At the macro level, customer satisfaction has been shown to be predictive of both consumer spending and GDP growth.

October 24, 2017

ACSI NONDURABLE PRODUCTS REPORT 2017

INDUSTRY RESULTS FOR:

- Apparel
- Athletic Shoes
- Breweries
- Food Manufacturing
- Personal Care & Cleaning Products
- Soft Drinks
Lower Customer Satisfaction With Manufacturers Reflects America’s Changing Tastes

FOOD MANUFACTURING

Customer satisfaction with grocery food (packaged food products ranging from chocolate, baked goods, and cereal to meat, cheese, and frozen foods) is down 2.4% to a score of 81 on the American Customer Satisfaction Index’s (ACSI®) scale of 0 to 100.

Food prices are often to blame for lower customer satisfaction, but not this time. From the start of 2017 through August, food prices rose just 0.3%, far less than the Consumer Price Index increase of 1.9%. The deterioration in customer satisfaction with packaged food has more to do with perceived quality and a heightened interest in fresh, natural, and organic products. For the food manufacturing industry, waning customer satisfaction may signal a sea change in consumption behavior.

For decades, many Americans happily subsisted on a diet of processed, packaged foods—but consumer preferences appear to be shifting. Buyers are paying closer attention to nutritional information and looking for higher-quality ingredients and healthier options.

The modern definition of “healthy,” however, is highly individualized, and a radical departure from the “fat-free” trope of the nineties. The market today is much more fragmented. Consumers are judging the quality and healthfulness of food in many different—even contradictory—ways, from sugar and protein content to the presence of GMOs, artificial ingredients, allergens, and gluten.

Nevertheless, there are large groups of consumers who are resistant to change and more sensitive to price. It is an ongoing challenge for manufacturers to adapt to current trends without losing customers who were loyal to their original core products.

Customer satisfaction is falling for most food manufacturers, but there are a few exceptions. Among 11 major companies, only 3 improve: Hershey, Quaker, and ConAgra.

Hershey takes first place with a 2% gain to an ACSI score of 86, significantly ahead of rival chocolate makers Mars and Nestlé (both down 2% to 82). The Pennsylvania-based confectioner also shows strong sales growth as it successfully adjusts to consumer preferences, launching reinvented products, removing artificial ingredients, and making nutritional information more available.
In second place, Quaker edges up 1% to 84. The PepsiCo-owned company benefits from a rise in the popularity of oats. Quaker’s social media presence has capitalized on the trend by helping to inform and market new products such as single-serving overnight oats.

ConAgra is the only other large food manufacturer to improve, gaining 2% to an ACSI score of 82. While customers are less attracted to ConAgra’s snacks and center-aisle groceries, its frozen meals have been successful. The slower-selling products have been discontinued and replaced by other offerings, including Café Steamers and Power Bowls. These products are designed to appeal to millennials, with a focus on nutritive benefits rather than idioms like “weight-loss” and “diet.”

Tied with ConAgra, but moving in the opposite direction, are Kraft Heinz, Dole, General Mills, Mars, and Nestlé. Dole loses the most ground, dropping out of first place with a 5% backslide to 82. The world’s largest fruit and vegetable company is reportedly $1.3 billion in debt, moving strawberry operations out of California and selling its headquarters, prompting a series of layoffs.

Kraft Heinz, which as Heinz was once the highest-scoring company in the entire ACSI, now slips 1% to 82. The company has been hit hard by the shift toward healthy eating habits and has seen sales slow. It may prove particularly problematic for the maker of Heinz Ketchup and Kraft Macaroni and Cheese to tap into the “clean eating” market. Consumers appear to be less receptive to the reinvention of iconic products and it may be difficult as well to shift consumer perception regarding their nutritional value.
Nestlé is also struggling with sales coming in lower than expected and customer satisfaction down 2% to match Mars at 82. The manufacturer is reportedly considering selling its U.S. chocolate business to shift emphasis on faster-growth segments such as coffee, pet food, and health and wellness.

In the breakfast category, consumers are increasingly eschewing foods that were once considered healthy. Cereal sales are down 7% and traditional yogurt is on the decline as customers opt for Greek yogurt. Cereal producer General Mills, which also makes yogurt under the Yoplait brand, slips 2% to 82, just ahead of Kellogg, which is unchanged at 81.

Smaller companies (including store brands and minor brands that make up a large proportion of the industry) drop 2% to a combined score of 81, the industry average.

At the bottom of the category, Tyson—one of the country’s largest meat companies—recedes 2% to 80, the same score as Campbell Soup (unchanged).

BEVERAGES

Customer satisfaction with soft drinks remains high at an ACSI score of 84 as beverage manufacturers successfully pivot to meet the demands of more health-conscious customers. However, stable customer satisfaction at the industry level belies a major upset in the rankings.

A 5% gain propels Coca-Cola from last place to first, tied with PepsiCo (+1%) for the lead at 85. In August, Coca-Cola released a reinvention of Coke Zero—Coca-Cola Zero Sugar—which has boosted customer satisfaction to a level it hasn’t exceeded since 2000.

Meanwhile, Dr Pepper Snapple, which acquired soft drink maker Bai in January, shifts into reverse, sinking 5% to last place alongside the combined score of all other, smaller brands (-4%) at 82.
Customer satisfaction with beer is up 1.2% to 84, driven by a 4% gain for the smaller, craft breweries that lead the category with a combined score of 85. Despite completing the “megabrew” merger with SABMiller in 2016, customer satisfaction with Anheuser-Busch InBev remains stable at 84. Molson Coors, which acquired MillerCoors last year, is deadlocked with AB InBev at 84—this is 4% higher than the score earned by MillerCoors in 2016.

PERSONAL CARE AND CLEANING PRODUCTS

Customer satisfaction with personal care and cleaning products (including soap, shampoo, toothpaste, detergent, and other cleaning products) falls 3.6% to an ACSI score of 80. Dial slips 2% to 83, leaving Clorox with the lead at 84.
Clorox—which includes Burt’s Bees and Green Works—is the only company in the category to withstand an industry-wide deterioration in customer satisfaction. Last year, Clorox’s e-commerce business grew by 50% overall and by 98% on Amazon alone.

Procter & Gamble dips 1% to 82, followed by the trio of Colgate-Palmolive (-2%), Johnson & Johnson (-1%), and Unilever (-4%) at 81. The group of all other, smaller manufacturers slides 4% to a combined score of 80.

**APPAREL AND ATHLETIC SHOES**

Customer satisfaction with apparel advances 1.3% to an ACSI score of 80 on the strength of smaller brands (up 1% to 80). Levi Strauss is unchanged at the top with 81, but it no longer shares the lead with Hanesbrands, which falls 2% to last place (79). Nine West and VF occupy the middle ground, both unchanged and matching the industry average at 80.

**ACSI: Apparel**

<table>
<thead>
<tr>
<th>Company</th>
<th>2016</th>
<th>2017</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel</td>
<td>79</td>
<td>80</td>
<td>1.3%</td>
</tr>
<tr>
<td>Levi Strauss</td>
<td>81</td>
<td>81</td>
<td>0%</td>
</tr>
<tr>
<td>All Others</td>
<td>79</td>
<td>80</td>
<td>1%</td>
</tr>
<tr>
<td>Nine West</td>
<td>80</td>
<td>80</td>
<td>0%</td>
</tr>
<tr>
<td>VF</td>
<td>80</td>
<td>80</td>
<td>0%</td>
</tr>
<tr>
<td>Hanesbrands</td>
<td>81</td>
<td>79</td>
<td>-2%</td>
</tr>
</tbody>
</table>

Athletic shoes also remain at 80, though the two largest firms register declines. Adidas stumbles 2% to 81, but stays ahead of Nike, down 1% to 79. Smaller shoemakers post a 3% gain to match Adidas at 81.

**ACSI: Athletic Shoes**

<table>
<thead>
<tr>
<th>Company</th>
<th>2016</th>
<th>2017</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athletic Shoes</td>
<td>80</td>
<td>80</td>
<td>0.0%</td>
</tr>
<tr>
<td>Adidas (includes Reebok)</td>
<td>83</td>
<td>81</td>
<td>-2%</td>
</tr>
<tr>
<td>All Others</td>
<td>79</td>
<td>81</td>
<td>3%</td>
</tr>
<tr>
<td>Nike</td>
<td>80</td>
<td>79</td>
<td>-1%</td>
</tr>
</tbody>
</table>
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ABOUT THIS REPORT

The ACSI Nondurable Products Report 2017 on food, soft drinks, beer, personal care and cleaning items, apparel, and athletic shoes is based on interviews with 5,677 customers, chosen at random and contacted via email between October 17, 2016, and September 16, 2017. Customers are asked to evaluate their experiences with recently purchased products of the largest manufacturers in terms of market share, plus an aggregate category consisting of “all other”—and thus smaller—companies in these industries.

The survey data are used as inputs to ACSI’s cause-and-effect econometric model, which estimates customer satisfaction as the result of the survey-measured inputs of customer expectations, perceptions of quality, and perceptions of value. The ACSI model, in turn, links customer satisfaction with the survey-measured outcomes of customer complaints and customer loyalty. ACSI clients receive confidential industry-competitive and best-in-class data on all modeled variables and customer experience benchmarks.

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