ACSI: Consumer Spending May Rise Next Quarter

Customer Satisfaction for PC's and American Auto Manufacturers Rise;
Yahoo Slips in Quest to Catch Google

ANN ARBOR, Mich. (August 15, 2006) – The American Customer Satisfaction Index (ACSI) rose for a fifth consecutive quarter to its highest level since 2004, according to a report released today. The Index stands at 74.4 on its 100-point scale and is up nearly 2 percent since the first quarter of 2005.

Over its 11-year history, the Index, produced at the University of Michigan's Ross School of Business, has demonstrated that it predicts a number of essential indicators of micro and macroeconomic performance. At the macro level, customer satisfaction has been shown to be a leading indicator of both consumer spending and GDP growth. If the historical pattern holds true, the report released today indicates spending growth should increase in the third quarter, contrary to what many observers of the economy expect.

"In the last couple of years, discretionary spending money has become harder for consumers to find due to higher interest rates, rising energy costs, and growing household debt," said Professor Claes Fornell, head of the ACSI at the University of Michigan. "But a rise in overall customer satisfaction could offset the forces pointing to a slowdown in consumer spending."

At the micro-economic level, research shows that firms with higher ACSI scores 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.

The ACSI measures a different set of industries each quarter. The individual companies covered in today's report include the following:

* **Durable Goods:** including automobiles, personal computers, appliances
* **E-Business:** including portals, search engines, and news and information sites.

A full list of company scores follows this release.

Automobiles: Detroit Makes Slight Gains Against Foreign Competition
Customer satisfaction with automobiles reaches an all-time high this quarter, up 1.3 percent to 81 on ACSI's 100-point scale. American automakers improve overall and narrow the gap with foreign competitors, but most of Detroit's nameplates are still among the lower-scoring cars.

“Last year’s customer satisfaction increase for American manufacturers came largely because of price rebates, but this year’s jump is associated with improvements in product and service quality,” said Prof. Fornell. “It’s a better, more sustainable, long-term business strategy.”

Toyota holds steady as the industry leader at its all-time high of 87. Honda, Buick, and Lexus all score 86, followed by BMW at 85.Ford shares the last spot with Kia Motors, new to the Index, and DaimlerChrysler’s Jeep. Among Asian automakers, only Mazda (79) and Kia are below the industry average (77). German carmaker Volkswagen scores 76, while Nissan of Japan rebounds 5.1 percent to 82.

Personal Computers: Whole Industry Improves
Overall customer satisfaction with the PC industry is up 4 percent to 77, its highest score since 1994. Perennial industry leader Apple Computer’s customer satisfaction jumps 2.5 percent to a new high at 83, bringing it into the top 15 percent of all companies measured in the ACSI.

But the focus this year may be on Dell, with stock prices at a five-year low and a recently issued profit warning. This quarter, Dell’s score rebounds 5.4 percent to 78.

“It can be difficult to combine a cost efficiency strategy with superior customer service, but Dell’s early results are headed in the right direction,” said Fornell. “Short-term profits are almost always adversely affected when a company invests heavily in improved customer service. For Dell, the key will be sales growth, but not necessarily short-term profit growth.”

Portals & Search Engines: Google Stays on Top, Yahoo Stumbles
Google retains the top spot in the category, a perch it has held since it was first measured in 2002. Its score dropped 1 percent to 81, but the company continues to satisfy customers, even as it broadens its business beyond its core competency of search.

Last year Yahoo! hit an all-time high and looked like a contender. But this year Yahoo! falls 5 percent to 76 in its worst performance in five years. This year’s ACSI drop portends further trouble.

AOL (up 4.2 percent) and MSN (down 1.3 percent) both score 74 though the two companies arrived from very different scores when the e-business industry was first measured six years ago. AOL scored a 56 in 2000, 20 percent below MSN, which had scored 71. Since then, AOL has gained a remarkable 32 percent, while MSN’s improvements have been more modest (4 percent).

Online News & Information: Tightly Grouped, but much Stronger than Newspapers
GOnly two points separate the top and bottom companies in the news and information category, which scored 73 in aggregate. Little differentiation between competitors has kept it a tight race since the ACSI started measuring the category. However, online news and information sites considerably outperform print newspapers, which scored 63 when measured in the first quarter of 2006.

NOTE: For more information or a copy of the report, please contact Chaat Butsunturn at 415-391-7900 x114 or at cbutsunturn@kearnswest.com.

About the 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. 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 about 200 companies in 40 industries and from government agencies over the previous four quarters.

The index is produced by the University of Michigan's Ross School of Business in partnership with the American Society for Quality and CFI Group, and is supported in part by ForeSee Results, corporate sponsor for the e-commerce and e-business measurements.