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ACSI: Customer Satisfaction Weakens, Bad News for an Economy in Search of More Consumer Demand

Few Companies Improve; Adidas, ConAgra, Del Monte and VF among the Gainers; Big Drops for Iams, Nestlé Purina and Tyson

ANN ARBOR, Mich. (November 16, 2010)—After almost two years of stalling scores, the overall American Customer Satisfaction Index (ACSI) falls 0.3% for the third quarter, which brings the Index to a score of 75.7 on a 0-100 point scale. Accordingly, it will be difficult for the U.S. economy to look to strengthened consumer demand for a boost.

“Periods of stalling ACSI growth have often been followed by weak, and sometimes negative, GDP growth,” said Professor Claes Fornell, founder of the ACSI and author of *The Satisfied Customer*. “Consumer spending is unlikely to exhibit much of an increase unless bond buying by the Federal Reserve leads to more employment, inflation, consumer confidence and higher stock prices. With the drop in ACSI, consumer spending for the final quarter of 2010 does not look like it will improve enough to spur much economic growth.”

Food: Heinz Rules, but Higher Grocery Prices Contribute to Industry Decline

Customer satisfaction with food companies dips for the first time in three years, falling 2.4% to an ACSI score of 81. Rising food prices seem to be the culprit, but some slippage in quality is also to blame as satisfaction with 9 of the 13 largest manufacturers declines. Heinz falls 1% to 88 but nevertheless leads the industry as it has for the past decade, with cereal maker Quaker Oats and confectioner Hershey (both -1% to 86) close behind and Mars (-2%) and Sara Lee (unchanged) next at 85.

Fresh and frozen meat producer Tyson plunges the most (-6% to 77) to the bottom of the industry, an all-time low and well below other food companies. Customers are complaining about quality and a recall of deli meats probably hasn’t helped either. Kellogg also faces a big drop, down 5% to match the industry average at 81.

At the other end of the spectrum, ConAgra alone improves, surging 6% to nearly offset a steep drop in 2009. Discounts on many frozen food lines and the introduction of new products created better value for money and higher quality, but not without a cost. The lower prices are eating into earnings and ConAgra’s profit forecast has been reduced.

Pet Food: Cats and Dogs (and Their Owners) Love Mars Petcare

After three years of stagnant scores, customer satisfaction with pet food falls slightly, down 1% to 83, although pet food remains one of the highest-scoring products with no company ever below 79. Mars Petcare leads the way, up 2% to 85 and tying the aggregate of smaller pet food brands. Del Monte is next, after a 4% surge to 83.

Colgate-Palmolive's Hill's Pet Nutrition and Nestlé Purina PetCare share the next industry slot with identical scores of 82, just below the industry average. Hill's jumps 3%, while Nestlé Purina plunges 5%. Iams has an even larger drop, down 6% to 80, as quality falls from in best in class to about average, according to customers, which is unlikely to be satisfactory when buyers expect premium quality and are charged accordingly.

Athletic Shoes: Adidas Sprints into the Lead

Customer satisfaction with athletic footwear remains steady at 80. Shoemaker Adidas jumps into the lead with a 5% improvement (to 82), while Nike makes a modest gain of 1% to 80, positioning both companies at or near all-time highs. For the industry, these gains are offset by a drop for the group of smaller manufacturers such as New Balance and Skechers, falling 4% to equal the industry average at 80.

After Adidas added Reebok to its brand portfolio in 2006, customer satisfaction went from 75 to 78, but was stuck until now. "Investments in new products with a special emphasis on toning shoes seem to have paid off," said Fornell. "Market share has increased (particularly among women) with U.S. revenue growing at a double-digit pace and the company's stock price is up 40% over the past year."

Apparel: VF Zips Up the Top Spot While Liz Claiborne Languishes

Apparel is the only category to show improvement, gaining 1% to an all-time high of 83. VF bolts to the lead, rising 5% to 85. A year ago all apparel makers were tightly grouped around the industry average in the range of 81 to 83, but now VF pulls away from its nearest competitors Jones Group (-2%), Levi Strauss (-2%) and Hanesbrands (-1%), all tied at 81.

Compared to VF, Liz Claiborne is moving in the opposite direction, falling 4% to an industry low of 79. Liz Claiborne revamped its lineup in early 2009 with offerings created by fashion designer Isaac Mizrahi, but then pulled his New York line out of stores, limiting availability to television shopping network QVC. The elimination of Liz Claiborne lines from department stores other than J.C. Penney seems to have contributed to the company's fall in customer satisfaction.

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. ACSI releases results for various sectors of the economy on a monthly basis to provide up-to-the-moment coverage over the entire calendar year. The national index is updated each quarter and factors in scores from more than 225 companies in 45 industries and from government agencies over the previous four quarters. 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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