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CUSTOMER SATISFACTION GAINS NOT ENOUGH TO SUSTAIN RECENT SPENDING GROWTH

MILWAUKEE, November 19, 2003---Even as consumer spending rose sharply in the third quarter, customer satisfaction did not. The American Customer Satisfaction Index (ACSI) remained unchanged last quarter, portending a more moderate rise in fourth-quarter household spending.

For the third straight quarter, the ACSI, updated last quarter with new customer satisfaction data on non-durable goods, registered a score of 73.8 (on a 100-point scale). Compared with a year ago, the ACSI is up about 1 percent.

While advance figures indicate third-quarter consumer spending grew 6.6 percent, the stability in the ACSI suggests a much more modest increase in fourth-quarter spending of 3.7 percent---and even this could be too high, given the fact that much of third-quarter spending growth was due to infrequent types of purchases (cars, appliances, homes) from infrequent spending sources (home equity, tax cuts).

"The advance third-quarter spending number by the Bureau of Economic Analysis is much higher than the historical pattern between ACSI and spending would suggest, and far from any historical pattern of data, for that matter," said professor Claes Fornell, director of the University of Michigan Business School's National Quality Research Center, which compiles and analyzes the ACSI data. "Since consumer spending represents 70 percent of the economy, it stands to reason that Gross Domestic Product had record third-quarter growth, as well."

But Fornell says that GDP growth of 7.2 percent for the third quarter is not likely to be sustained, and that GDP and ACSI changes did not move together as closely as in previous quarters.

"The reason is that most of the increase in consumer spending was due to spending on durable goods and partially enabled by refinancing,

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the timing of which has more to do with interest rates and price rebates than with aggregate changes in customer satisfaction," Fornell said.

Even though there was no change in the aggregate level of ACSI, only one of the eight non-durable manufacturing industries showed a decline in customer satisfaction, Fornell says. Satisfaction fell slightly overall for soft drinks, but improved for beer and personal care products and remained stable for food processing, tobacco, apparel, athletic shoes and pet foods.

Despite a decline in customer satisfaction, the soft drinks industry still tied with personal care products for the highest ACSI score (84) among the industries measured this quarter. Cadbury Schweppes improved its score to 89, while Pepsi and Coca-Cola dropped to 83.

"The industry trend seems to be favoring healthy drinks, with declining demand for traditional sodas," Fornell said. "The non-carbonated beverages are the fastest-growing segment in the soft drink industry and bottled water is close to becoming the second-most popular commercial beverage after soda."

All of the personal care products companies showed an increase in customer satisfaction, with Clorox (86), Dial (85), Unilever (85) and Procter & Gamble (85) leading the way.

Beer and pet foods both registered ACSI scores of 82. Anheuser-Busch led the brewing companies with a score of 82, while both Colgate-Palmolive and Procter & Gamble topped the pet foods manufacturers with scores of 85.

For the sixth time in the past seven years, the food processing industry scored 81 in the ACSI. According to Jack West, past president of the American Society for Quality, a co-sponsor of the ACSI, food processing companies continue to show exceptionally high and stable satisfaction scores for a number of reasons.

"These companies have been in business a long time and are well-versed in quality and process-improvement methods, there is little personal interaction required, and consumers' switching costs are low since there's a lot of variety and choice offered by these companies," West said.

For the 10th straight year, Heinz took the top spot in this industry with an ACSI score of 90. Quaker Oats (86), Hershey (85) and ConAgra (84) were next in line.

"Customer satisfaction improvements in the food industry are rarely about service and high quality is taken for granted," Fornell said.

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"Instead, what drives customer satisfaction in this category are innovations and a company's capacity to meet diverse consumer preferences in terms of variety in brands, tastes, nutrition and packaging."

Other non-durable manufacturing industries measured in the ACSI included apparel (with an ACSI score of 80), athletic shoes (79) and tobacco (76).

The ACSI is a national economic indicator of customer experiences with the quality of products and services available in the United States. It is updated quarterly 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 more than 200 companies in 40 industries and from government agencies over the previous four quarters.

The index is produced by a partnership of the University of Michigan Business School, American Society for Quality and CFI Group, and supported in part by Market Strategies Inc., a major corporate contributor, and ForeSee Results, e-commerce corporate sponsor.

Company scores and other information about the ACSI can be found on the ACSI Web site: www.theacsi.org.

ACSI Over Time (Q3 2003 companies and industries)

National ACSI = 73.8, steady from Q2 2003

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	% Change from last	% Change from 1st
MANUFACTURING - NON-DURABLES	**82**	**81**	**79**	**79**	**79**	**80**	**81**	**80**	**81**	**81**	**-0.1%**	**-0.9%**
Food Processing	**84**	**84**	**83**	**81**	**81**	**81**	**81**	**82**	**81**	**81**	**0.0%**	**-3.6%**
H.J. Heinz Company	89	87	90	86	86	85	90	89	88	90	2.3%	1.1%
The Quaker Oats Company	82	82	82	85	83	83	86	86	87	86	-1.1%	4.9%
Hershey Foods Corporation	86	88	88	84	84	86	85	86	87	85	-2.3%	-1.2%
ConAgra Foods, Inc	83	83	82	80	80	80	82	81	83	84	1.2%	1.2%
Sara Lee Corporation	86	82	84	80	80	81	82	81	84	83	-1.2%	-3.5%
General Mills, Inc.	83	81	86	81	82	81	82	83	83	83	0.0%	0.0%
Nestle S.A.	88	86	82	83	83	81	84	83	83	83	0.0%	-5.7%
Kraft Foods, Inc.	84	84	85	82	84	83	82	82	81	83	2.5%	-1.2%
Mars, Inc.	87	89	86	85	81	84	82	86	83	83	0.0%	-4.6%
Campbell Soup Company	83	81	84	81	80	81	81	81	80	83	3.8%	0.0%
Dole Food Company, Inc.	90	90	85	79	82	80	82	81	82	82	0.0%	-8.9%
Kellogg Company	84	84	85	81	83	81	83	83	81	82	1.2%	-2.4%
Tyson Foods, Inc	83	80	79	80	79	79	81	80	80	81	1.3%	-2.4%
All Others	83	83	81	80	80	80	80	81	80	80	0.0%	-3.6%
Beverages-Beer	**83**	**81**	**79**	**81**	**82**	**79**	**82**	**80**	**81**	**82**	**1.2%**	**-1.2%**
All Others	NA	79	78	83	83	81	83	81	82	84	2.4%	6.3%
Anheuser-Busch Companies, Inc.	84	80	79	81	81	78	81	80	82	82	0.0%	-2.4%
Adolph Coors Company	81	84	79	80	84	78	82	78	79	80	1.3%	-1.2%
Miller Brewing Company	80	82	78	81	81	81	81	78	79	79	0.0%	-1.3%
Beverages-Soft drinks	**86**	**86**	**86**	**83**	**83**	**84**	**86**	**82**	**85**	**84**	**-1.2%**	**-2.3%**
Cadbury Schweppes plc	NA	85	86	83	88	85	86	85	86	89	3.5%	4.7%
PepsiCo, Inc.	86	87	86	83	83	82	85	84	86	83	-3.5%	-3.5%
The Coca Cola Company	85	85	87	84	82	84	86	81	85	83	-2.4%	-2.4%
Tobacco-Cigarettes	**81**	**82**	**77**	**77**	**75**	**76**	**78**	**76**	**76**	**76**	**0.0%**	**-6.2%**
R.J. Reynolds Tobacco Holdings, Inc.	81	81	84	79	75	77	77	77	79	78	-1.3%	-3.7%
Philip Morris Companies, Inc.	80	81	79	77	75	75	75	75	74	76	2.7%	-5.0%
Apparel	**82**	**81**	**78**	**77**	**79**	**79**	**79**	**79**	**80**	**80**	**0.0%**	**-2.4%**
VF Corporation	83	80	80	81	79	78	82	84	82	84	2.4%	1.2%
All Others	79	80	78	77	79	79	79	79	80	80	0.0%	1.3%
Levi Strauss & Company	84	83	80	81	75	76	79	80	78	80	2.6%	-4.8%
Sara Lee Corporation	83	81	75	81	77	78	78	76	78	80	2.6%	-3.6%
Jones Apparel Group, Inc.	NM	NM	NM	NM	NM	NM	NM	79	78	78	0.0%	-6.0%
Liz Claiborne, Inc.	84	81	81	77	78	76	79	79	80	78	-2.5%	-7.1%
Athletic Shoes	**79**	**79**	**77**	**74**	**74**	**76**	**79**	**76**	**79**	**79**	**0.0%**	**0.0%**
All Others				73	76	79	79	78	81	81	0.0%	11.0%
NIKE, Inc.	82	78	77	74	73	73	78	74	76	76	0.0%	-7.3%
Reebok International, Ltd.	75	80	77	74	74	75	78	73	76	74	-2.6%	-1.3%
Personal care products	**84**	**84**	**80**	**82**	**82**	**81**	**84**	**83**	**81**	**84**	**3.7%**	**0.0%**
The Clorox Company	88	88	84	83	85	84	85	85	85	86	1.2%	-2.3%
The Dial Corporation	86	85	85	83	81	79	85	84	84	85	1.2%	-1.2%
Unilever plc	84	83	83	82	83	81	85	83	83	85	2.4%	1.2%
The Procter & Gamble Company	85	87	85	81	83	81	84	82	81	85	4.9%	0.0%
Colgate-Palmolive Company	84	86	82	83	82	80	80	85	80	83	3.8%	-1.2%
All Others	83	81	77	82	79	80	82	82	80	82	2.5%	-1.2%
Pet Foods	**NA**	**NA**	**NA**	**83**	**81**	**82**	**83**	**82**	**82**	**82**	**0.0%**	**-1.2%**
Colgate-Palmolive Company	NA	NA	NA	85	83	86	82	84	84	85	1.2%	0.0%
The Proctor & Gamble Company (IAMS)	NA	NA	NA	NA	NA	NA	NA	80	82	85	3.7%	6.3%
Del Monte (formerly Heinz)	NA	NA	NA	85	80	81	84	81	81	84	3.7%	-1.2%
Mars, Inc.	NA	NA	NA	81	82	81	81	83	83	83	0.0%	2.5%
Nestle S.A.	NA	NA	NA	83	83	84	81	81	83	83	0.0%	0.0%
All Others	NA	NA	NA	NA	81	82	82	80	82	80	-2.4%	-1.2%

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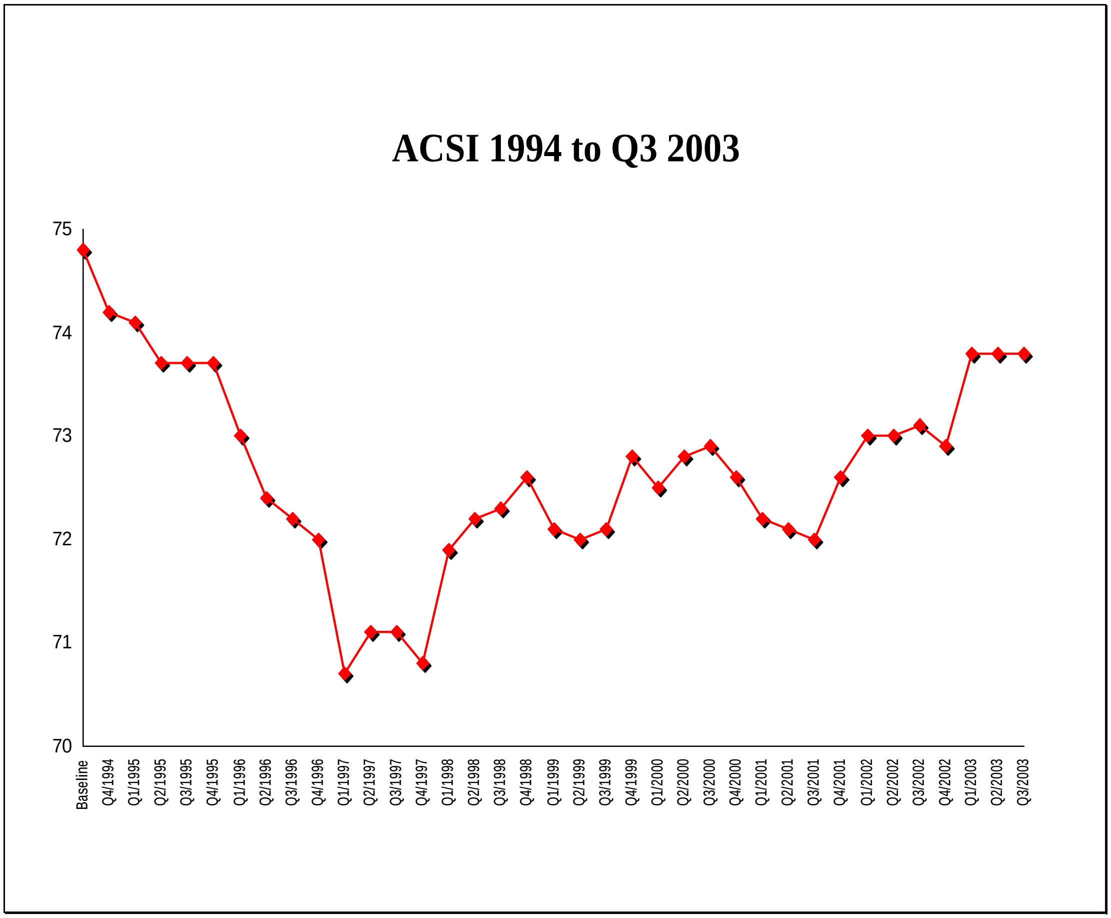
ACSI 1994 to Q3 2003
75
74
73
72
71
70
Baseline
Q4/1994
Q1/1995
Q2/1995
Q3/1995
Q4/1995
Q1/1996
Q2/1996
Q3/1996
Q4/1996
Q1/1997
Q2/1997
Q3/1997
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