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## **Customer Satisfaction Takes First Dip in Two Years, May Weaken Consumer Spending Growth, According to ACSI**

*Lower Satisfaction with Food Industry Drags Down ACSI; Nike Rebounds, Heinz on Top*

**ANN ARBOR, Mich.** (November 13, 2007) – Customer satisfaction is down for the first time since early 2005, according to the third quarter report of the American Customer Satisfaction Index (ACSI). The Index slides 0.1% to 75.2 on its 100-point scale, but it remains 1% higher than it was a year ago. Still, even the slight decline does not bode well for consumer spending in the holiday season.

“The dip in ACSI is largely attributable to higher food prices, and despite employment growth and holiday discount pricing, consumer spending is unlikely to match last year’s fourth quarter growth,” said Professor Claes Fornell, head of ACSI at the University of Michigan.

Every third quarter ACSI measures consumer non-durables, one of the highest scoring sectors of the Index. Consumer non-durables consistently achieve high customer satisfaction scores because competition between products is high, switching costs are minimal, and prices are relatively low. Though most industries improve this quarter, it is not enough to offset the ACSI decline in food manufacturing, by far the largest industry in consumer non-durables.

### **Athletic Shoes: Nike thinks outside the (shoe) box**

Nike makes the biggest gain of any company this quarter, climbing 4% to 75. The Beaverton, Oregon company, traditionally known for its high-profile endorsements of sports superstars from Michael Jordan to Tiger Woods, taps alternative sports like skateboarding to keep a step ahead of its rivals. Nike also partnered with one of tech’s best innovators, Apple, to develop a shoe-iPod product designed for runners.

“Nike is doing a better job of keeping up with customers’ changing tastes,” said Prof. Fornell. “They’re broadening their appeal through innovative partnerships and more trend-setting styles.”

But shoe makers such as New Balance, Skechers, and Puma (included in the “all others” category) continue to lead the athletic shoe industry with a 3% increase to a score of 83. Adidas, which acquired Reebok nearly two years ago, loses 1% to 77. As an industry, athletic shoes improve 4% to 79, halting a two year slide.

### **Food: Heinz tops ACSI, Sara Lee not so sweet**

Customer satisfaction with food companies declines 2% to 81, dropping for the first time since 2005. But ACSI leader Heinz moves in the opposite direction with a 3% gain to 90, the highest score for any company in any industry in ACSI.

“Heinz is getting back to basics and focusing on what it does best,” said Prof. Fornell. “They may have found their secret sauce for satisfaction by making their core products even better.”

Campbell’s Soup is also up this quarter by 4% to a score of 83. Campbell’s recently made improvements to their brands in order to appeal to customers’ desire to live a healthier lifestyle. Campbell’s has been offering more health-conscious soups, as well as soup and broth alternatives flavored with sea salt to reduce sodium content. Candy manufacturers Hershey and Mars also show strong performance with scores of 87 and 86 respectively.

Sara Lee Corporation falls 4% to 82 after shedding about 40% of its business over the past year. Other decliners include Kraft, down 2% to 84, and Kellogg, down 2% to 83.

### **Apparel: Jones Apparel patches the holes; Liz Claiborne declines**

Apparel companies hit an all-time high of 82, increasing 3% over last year. VF Corporation leads the industry with a 2% increase to a score of 84, while Liz Claiborne registers the industry’s only drop (-3% to 79). Smaller companies, as measured in the “all others” category, manage a 3% improvement to 82. Hanesbrands is unchanged from last year, also scoring 82.

Jones Apparel, which declined 4% a year ago, regains most of what it lost as it improves to 81. “After last year’s drop in ACSI Jones Apparel’s stock fell 45 percent,” said Prof. Fornell. “A reversal of misfortune would bode well for stockholders.”

### **Breweries: Another merger brewing**

Amidst news of yet another merger, the brewing industry improves 1% to 83. The difference between the highest scoring company (Miller, 83) and the lowest (Anheuser-Busch, 82) is tiny. The merger of Molson Coors with Miller will probably not impact customer satisfaction, but the merged company will benefit from economies of scale. Smaller breweries that have held higher ACSI scores have seen that lead evaporate.

### **Personal Care & Cleaning Products: Dial comes out clean; Colgate needs a brush**

Customer Satisfaction with personal care and cleaning products is up 1% to a record high of 85. The industry is the highest scoring in the third quarter, in part because products are inexpensive, switching costs are low, and choice is abundant. Unilever, Procter &

Gamble each gain 1%, with Clorox retaining the top position at 87. Dial makes the biggest jump, up 4% to 86, its highest score in 12 years. Colgate-Palmolive is only decliner in the industry, losing 4% to 81.

### **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. 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 43 industries and from government agencies over the previous four quarters.

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