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Passengers See Change for the Better in Airline Service; Diners Find Fast Food as Pleasing as Sit-Down Restaurants

Southwest, Starbucks & UPS Stumble; JetBlue Makes Strong Debut

ANN ARBOR, Mich. (June 19, 2012)—Major airlines are doing a better job of satisfying their passengers this year, according to a report released today by the American Customer Satisfaction Index (ACSI). At 67 (on a scale of 0 to 100), customer satisfaction with the airline industry matches its best level in a decade, but there is plenty of room for improvement. Despite gaining 3.1% for 2012, airlines remain in the bottom 3 among 47 ACSI industries, along with subscription TV service (66) and the fast-fading newspaper industry (64).

“High ticket prices, growing fees, and poor service are not a formula for strong customer satisfaction in the airline industry,” says Claes Fornell, ACSI founder and author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*. “The industry is doing a better job of serving business travelers as witnessed by the rise in their overall customer satisfaction—from 61 last year to 66 in 2012—but leisure travelers remain far more satisfied with a score of 71.”

The ACSI’s June report covers customer satisfaction with airlines, hotels, full-service restaurants, fast food chains, consumer shipping, and the mail services of the United States Postal Service (USPS).

Airlines: JetBlue Replaces Southwest as Industry Leader

After 18 years of nearly undisputed customer satisfaction leadership in the airline industry, Southwest has relinquished first place to ACSI newcomer JetBlue. For 2012, JetBlue debuts at 81, the same score that Southwest led with in 2011. Meanwhile, Southwest’s merger with low-cost competitor AirTran seems to have dampened its passenger satisfaction, as the airline declines 5% to second place at 77.

“Airline mergers tend to create significant passenger dissatisfaction in the short term as operations are combined and consolidated,” notes Fornell. “Southwest’s share value has declined 20% over the past year while the rest of the market stayed largely unscathed, with most major airlines flat or improving.”

Last year, Delta’s ACSI score tanked following its merger with Northwest. This year, Delta rebounds 16% to 65—a score that remains quite low, but is no longer last place. US

Airways gains 7% and ties Delta at 65. American Airlines and United show small 2% increases for 2012, but both remain poor ACSI performers at 64 and 62, respectively. In contrast to these large legacy airlines, the aggregate of all other airlines (such as small carrier Alaska Air or low-cost operators Spirit and Frontier) are doing a better job of pleasing passengers, despite a 3% downturn to 74.

Hotels: Leisure Travelers Happier Than Business Guests

Customer satisfaction with hotels is stable at 77, which is much higher than airlines, but lower than either restaurant category this year. Business travelers are less satisfied with their chosen hotels than vacationers (ACSI score of 72 compared with 77), which mimics results for the airline industry. There is little movement among the top hotel brands. Among eight major chains, five show ACSI changes of 1% or less compared to 2011.

Hilton retains the industry lead with an unchanged ACSI score of 80, followed by Marriott at 78. InterContinental ties the aggregate of smaller chains and individual hotels at 77. A trio of companies is deadlocked at 76: Hyatt, Best Western, and an improved Choice Hotels (+3%). Starwood drops back to 75 after a 5% loss, while budget-brand operator Wyndham trails the field at 70 (-4%).

Restaurants: Applebee's, Subway & Dunkin' Donuts Premiere in the ACSI

For 2012, the ACSI adds three restaurants to its roster: Applebee's in the full-service category and Subway and Dunkin' Donuts in the fast food category. For the first time in ACSI history, sit-down chains tie rather than lead fast food. For the former, this year brings a loss of 2.4%, while fast food keeps climbing—up 1.3% to an all-time high of 80.

“The opposing customer satisfaction trends for full-service outlets versus fast food are all the more troubling for sit-down restaurant operators given the current weak economy,” says Fornell. “The juxtaposition of low prices with newly improved quality makes fast food an attractive option for budget-conscious diners. It’s a safe bet that fast food will make further inroads into the traditional restaurant business.”

Pizza makers continue to stake out the high end of the fast food industry, with Papa John's surging 5% to 83 and Little Caesar up 2% to 82. Subway enters the ACSI with a strong score of 82. The other newcomer, Dunkin' Donuts, scores 79. While this is somewhat lower than the leaders, it puts Dunkin' Donuts well ahead of coffee rival Starbucks, whose customer satisfaction tumbles 5% to 76. Pizza Hut also declines this year, down 4% to 78, but its score still matches or beats the burger chains.

Wendy's is the top burger vendor at 78 (+1%), while Domino's is the bottom pizza maker at 77 (unchanged for a fourth year). Taco Bell scores 77 (+1%), while Burger King and KFC are flat this year at 75. McDonald's rounds out the category at 73 (+1%). For McDonald's, customer satisfaction is at an all-time high and far better than over a decade ago when the company had nearly the worst score in the Index (59 in 2000).

Applebee's premieres in the sit-down category with an ACSI score of 77, trailing the field with the exception of Chili's, down 4% to 76. One year ago, the industry was tightly grouped within a narrow 3-point range; this year, the gap from top to bottom more than

doubles. Red Lobster emerges as the leader at 83 (+1%), while another Darden brand, Olive Garden, retreats 2% to 80. Outback Steakhouse is unchanged at 81 and ties the aggregate of all other full-service brands (-1%).

Consumer Shipping and Mail: Higher Costs Dampen Customer Satisfaction

Customer satisfaction with consumer shipping services (which includes sending and receiving packages) declines 2.4% to an ACSI score of 82. Historically, consumer shipping has been the top performer among service-oriented industries. With rising fuel costs bringing higher prices to consumers, the industry takes an ACSI hit this year.

Both FedEx and UPS face deteriorating customer satisfaction, as FedEx slips 1% to 82 and UPS drops sharply to 81. With a 5% downturn, UPS quickly loses its short-lived advantage from 2011, when it led the industry for the first time in over a decade.

The U.S. Postal Service improves for a fourth straight year, up 3% to 81 for its Express and Priority Mail services. For USPS monopoly mail services, customer satisfaction rises 1% to 75. Both USPS scores represent all-time ACSI highs. As the customer base for USPS services shrinks, it is likely that only the most loyal—and most satisfied—users remain. In addition, the Post Office is partnering with private sector carriers for the long-haul portions of its express shipping, which may be helping its customer relationships.

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 70,000 customers annually as inputs to an econometric model for measuring customer satisfaction with more than 225 companies in 47 industries and 10 economic sectors, as well as over 100 services, programs, and websites of federal government agencies.

ACSI results are released on a monthly basis, with all measures reported using a scale of 0 to 100. ACSI data have proven to be strongly related to a number of 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. And, at the macro level, customer satisfaction has been shown to be predictive of both consumer spending and gross domestic product growth. The Index was founded at the University of Michigan's Ross School of Business and is produced by ACSI LLC. The ACSI can be found on the Web at www.theacsi.org.

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