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Aggregate Customer Satisfaction Stuck in Neutral

*Price Stability Helps Food Manufacturers Improve Customer Satisfaction;
Apparel Drops to Eight-Year Low Amid Rising Cost for Raw Materials*

ANN ARBOR, Mich. (November 13, 2012) – Customer satisfaction at the national level remains in a holding pattern for the third quarter of 2012, according to a report released today by the American Customer Satisfaction Index (ACSI). For a third consecutive quarter, the national ACSI benchmark is stable at 75.9 on a scale of 0 to 100. While customer satisfaction is higher now than it was at the start of 2011, the current lack of positive momentum won't do much to speed up the nation's economic recovery.

“The numbers for economic growth continue to fall short of what is needed for a healthy recovery,” says Claes Fornell, ACSI founder and author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*. “In an economy that depends heavily on consumer demand, it is hard to envision rapid growth given a flat trend in customer satisfaction that is coupled with only tentative improvement in wages and employment.”

In a challenged economy where real income growth remains sluggish, consumers are more sensitive to price than in a booming economy. As a result, falling prices tend to have a stronger positive impact on customer satisfaction, while rising prices have the opposite effect.

Heinz Retains Hefty Lead in Food Category

The positive news for the third quarter comes from the food manufacturing industry, which experiences a wave of customer satisfaction improvement. Among 13 companies, 8 post customer satisfaction gains compared with a year ago. The industry's customer satisfaction benchmark is up 2.5% from 81 in 2011 to 83 in 2012. Heinz continues to flex its customer satisfaction muscles, maintaining the category lead at a high level of 89. Among all companies in the 47 industries covered by the ACSI, Heinz ranks second from the top.

“Over the past year, food prices have risen far less than the overall Consumer Price Index, which is up 2%,” says Fornell. “While consumers may eventually feel the effects of the summer drought as we move into 2013, the relative stability in food costs now likely is contributing to higher customer satisfaction for the industry.”

Following Heinz, four companies earn satisfaction scores of 85 to 86, including three candymakers. Mars slips 1% to 86, while Hershey and Nestlé both gain 1% to 85. PepsiCo's Quaker brand improves 2% to tie Mars for second place. Aside from Mars, Kraft is the only other company to buck the industry's positive trend. It slides 2% to match its previous low of 81.

Kellogg posts the biggest gain—up 4% to match the industry average of 83. Likewise, the aggregate of smaller food manufacturers, including store brands, improves 4% to 82. ConAgra (84) and Dole, General Mills and Sara Lee (83) come in around the industry average. Tyson and Campbell Soup show modest customer satisfaction progress (+3% to 81), but end up in a three-way tie with Kraft for last place.

Del Monte Pounces on ACSI Pet Food Lead

Pet owners are happier with their pet food products this year, as customer satisfaction with the industry inches up 1.2% to an ACSI score of 83. Price stability has contributed here just like in the food category. Del Monte gains the most ground, up 5% to capture the industry lead at 86. With brands like 9Lives and Kibbles 'n Bits, Del Monte offers a price friendly array of pet food products that please its customers.

The remaining pet food makers cluster around the industry average, with three companies deadlocked at 83: Hill's Pet Nutrition (-1%), Nestlé Purina PetCare (+1%) and Iams (+2%). Mars Petcare improves its ACSI score by 2%, but this is not enough to lift it out of last place at 82.

Adidas Drops the Ball on Customer Satisfaction

Customer satisfaction with athletic footwear backpedals 1.2% to an ACSI score of 80. Despite a history of beating the big brands when it comes to pleasing customers, the aggregate of smaller brands (such as Skechers and New Balance) runs neck-and-neck with Nike for 2012. With Nike and the small brands tied at 80, only Adidas is left behind. For a second year in a row, customers find less to like about Adidas, which also includes the Reebok brand of athletic shoes. The company's ACSI score tumbles 4% to 77, concurrent with dwindling North American sales for Reebok over the last several years.

Jones Group Turns Around Three-Year Losing Streak

The apparel industry suffers a slight deterioration in customer satisfaction that follows a sharp decline from a year ago. The industry's 2012 customer satisfaction benchmark is down 1.3% to 79, a score last seen in 2004.

“For clothing makers, the rising cost of raw materials continues to be passed on to consumers,” says Fornell. “Over the past 12 months, apparel prices have risen at a rate that is nearly four times the amount that food prices have increased. When prices go up without a corresponding improvement in quality, customer satisfaction almost always goes down.”

This year, there are winners and losers among apparel makers. After three years of decline, Jones Group reverses course with a 4% gain to 82. Likewise, the company's stock has performed a U-turn with a 40% year-on-year gain as of September 2012. Two

companies tie Jones at the top of the industry: V.F. Corporation (-1%) and Levi Strauss (+1). At the low end, undergarment maker Hanesbrands weathers the effects of high cotton prices as its ACSI score slumps 4% to 79 and ties the aggregate of smaller brands.

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 satisfaction with more than 230 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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