



FOR MORE INFORMATION

Chaat Butsunturn, 415-391-7900 x114

cbutsunturn@kearnswest.com

OR Amanda Piasecki, 202-535-7800 x114

apiasecki@kearnswest.com

Customer Satisfaction With Beverages, Cigarettes and Household Products Mostly Stable Amid Changing Consumer Preferences

Large Gains for Dr Pepper Snapple, Unilever & Reynolds American

ANN ARBOR, Mich. (October 16, 2012)— Customer satisfaction with four nondurable categories comprised of everyday consumer purchases remains relatively stable, according to a report released today by the American Customer Satisfaction Index (ACSI). Purchasers of beer, soft drinks, cigarettes or personal care & cleaning items are still pleased with their chosen product, with all four industries showing changes in their ACSI scores of 1% or less compared with a year ago. While U.S. sales have slumped for sugary sodas, beer and cigarettes, factors such as high quality and product innovation keep customer satisfaction relatively high and stable for these industries.

Dr Pepper Snapple Trumps Coke and Pepsi; Craft Beers Edge Ahead

The soft drink industry maintains a high level of customer satisfaction in 2012, despite a small downturn of 1.2% to 84 on a scale of 0 to 100. Among 47 ACSI industries, only two score higher—televisions & video players/recorders at 86 and credit unions at 87. As some consumers eschew carbonated beverages such as sugary colas in favor of noncarbonated offerings like ready-to-drink teas, the major producers are doing a good job of innovating to keep pace with changing preferences.

“Overall, carbonated soft drink consumption declined 1% in 2011, but this has less to do with customer satisfaction than with a shift in consumer preference prompted by growing health concerns about sugary sodas,” says Claes Fornell, ACSI founder and author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*. “The New York City ban on large-size sugared drinks may be a harbinger of things to come for the soft drink industry, but major firms are responding by investing in other types of beverages in apparent recognition of the market challenges that lie ahead.”

The two cola giants—Coca-Cola and PepsiCo—show slight 1% downturns to 84 and remain deadlocked for customer satisfaction for a third straight year. The aggregate of smaller manufacturers matches the market-share leaders, up 1% to 84. Dr Pepper Snapple, the number-three soft drink producer, gains 6% to 87 and jumps into the lead.

“Nearly two decades of ACSI data show that companies with high satisfaction tend to do better in terms of profit and stock value compared with those with lower ACSI scores,”

explains Fornell. “At 87, Dr Pepper Snapple is close to the top of the Index overall, concurrent with its stock price reaching an all-time high over the past year.”

Beer makers face shrinking sales as well, with overall consumption down 2% in 2011. The industry’s score slips 1.2% to 81, which is about average for brewers over time. Higher prices and a weak economy prove challenging for major brewers, with the smaller craft and specialty segment continuing to be the bright spot in the market. ACSI results show the aggregation of smaller niche brands holding onto its industry lead for 2012, stable for seventh year at an ACSI score of 83.

This year, the combined U.S. operations of SABMiller and Molson Coors, known as MillerCoors, earns an ACSI score of 81. Last year, Miller did a better job of pleasing customers at 84. The lower score for the MillerCoors joint venture may reflect the higher prices commanded by Coors products. Stable at 81, Anheuser-Busch InBev ties MillerCoors, which leaves both large brewers chasing the small brands for customer satisfaction.

Reynolds American’s ACSI Score Shows Three-Year Upswing

Customer satisfaction with tobacco products picks up for a third consecutive year, rising 1.3% to an ACSI score of 79. With this score, the industry just surpasses the ACSI level it achieved four years ago, before new tobacco taxes drove up retail prices. Overall cigarette consumption in the United States, however, continues to decline.

“In the midst of a weaker economy, price plays a role in both slowing consumption and keeping the cigarette industry’s satisfaction lower relative to other nondurable categories,” says Fornell. “At the same time, tobacco users continue to view the quality of cigarettes to be quite high.”

Reynolds American captures the industry lead with a 5% gain to 81, edging out its main competitor Philip Morris, holding steady at 80. For Reynolds, 2012 marks a third consecutive year of customer satisfaction improvement and a 16-year ACSI high. The aggregate of all other tobacco brands follows behind the leaders at 77 (+1%).

Unilever Improves but Clorox Keeps Industry ACSI Lead

Customers view household products such as shampoo, soap, toothpaste, detergents and cleaners favorably in 2012, as they have over the history of ACSI measurement. The ACSI score for personal care and cleaning products is stable at 83 for a third straight year, which is mid-range for the industry (ACSI scores of 80 to 85 since 1994).

Clorox has been a longtime customer satisfaction leader in the category, as well as in the overall Index. This year, Clorox slips 1% to 87, staying ahead of Unilever by just a point. After suffering a sharp ACSI downturn in 2011, Unilever recovers with a 5% gain to 86. The remaining companies are tightly grouped, with Colgate-Palmolive and Dial down 1% each to 83 and Procter & Gamble flat at 82 for a third year. With a small decline of 2%, the aggregate of smaller manufacturers ties P&G at the low end of the category.

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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