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Detroit Responds—Customer Satisfaction Surges to Match Asian Competitors

Strong Showings for Ford, General Motors; Chrysler Improves

ANN ARBOR, Mich. (August 18, 2009)—Taxpayers are getting a first hint of potential returns on their investment in the American automobile industry: Detroit is doing a much better job satisfying their customers, according to the American Customer Satisfaction Index (ACSI). After having trailed competition for a long time, domestic automakers post a large gain in ACSI. Rising contentment with the automobile industry leads the way for an increase in the overall Index, particularly among the American brands, which now equal Asian vehicles for the first time in a decade. After having slumped prior to the recession, the overall ACSI registers a gain for a third consecutive quarter. The Index stands at 76.1 on a 100-point scale, up 0.1% over last quarter and an improvement of 1.3% compared to a year ago.

“Although the future will obviously be challenging for Detroit, the rise in customer satisfaction provides a much needed improvement in competitive standing,” said University of Michigan Professor Claes Fornell, head of the ACSI. “Making sure that customers are satisfied will be a most important task for the automakers because it leads to higher levels of repeat purchase and fewer customer defections. If they were to remain at the bottom of customer satisfaction in their industry, these companies would not be able to survive.”

Second quarter ACSI results include the durable goods sector and e-business, with automobiles, personal computers, major appliances, portals & search engines, and news & information websites.

Automobiles: Detroit Back to (and in) Business

Not a moment too late perhaps, customer satisfaction with automobiles jumps 2% to an all-time high of 84. With Ford leading the way, Detroit improves much more than its Asian competitors. General Motors, with less of an improvement, is not far behind. Chrysler also improves, but still ranks a distant third in customer satisfaction compared to its domestic rivals. No longer is it the case that the lowest-scoring cars in the industry are all domestic nameplates.

Even though ACSI data suggest that quality has improved and that customers recognize the progress, some of the rise in customer satisfaction is the result of a shrinking customer base. As the least satisfied customers depart, the ones who remain are on the average more satisfied. For example, Buick, Cadillac, Lincoln Mercury, Jeep and Chrysler were among the most improved in ACSI. All saw sales drop by 50% or more over the past year.

“This is not all bad in the context of a downsized company. The domestic car companies now have a smaller, but more satisfied customer base to build on,” said Professor Fornell. “This is going to be more sustainable than having a large diversified mass of buyers, who tend to be less satisfied than the customers of competition. Not only is a smaller, more satisfied customer base less difficult to grow, it is also much easier to defend against competitive inroads.”

Cadillac and Lexus lead all auto manufacturers at 89, followed by Buick, Honda and Lincoln Mercury, all at 88. BMW is at 87, with Mercedes-Benz, Toyota and Volkswagen next at 86. Volkswagen makes one of the biggest improvements in customer satisfaction this quarter, leaping 6%—the first time VW has bested the industry average since 2004. Asian brands are mostly flat with Honda alone showing a modest 2% gain. Kia and Mazda are both at 81 and Nissan falls 5% to 78 to round out the bottom of the industry.

Personal Computers: Apple Still Shines

User satisfaction with personal computers rises after two years of decline, improving 1% to 75. Apple dips slightly by 1% to 84, but the decline has done little to hurt the large lead Apple has enjoyed for six straight years over the Windows-based manufacturers. Apple maintains a 12% lead over Dell, one of the largest gaps between first and second place for any industry.

Yet, the climb in the industry is largely a result of improvements among Windows-based machines. Dell is unchanged at 75, while Gateway (Acer) rises 3% to 74. The two brands of Hewlett-Packard also improve. HP inches up 1% to 74, while Compaq jumps 6% to create a three-way tie with HP and Gateway.

“The recession has shifted demand towards lower-priced PCs and Hewlett-Packard is taking advantage by rolling out more of its less expensive Compaq models,” said Professor Fornell. “Recent sales are up and HP’s share value has more than doubled relative to market since the beginning of the year.”

Major Appliances: Whirlpool Whips the Competition

Customer satisfaction with major appliances remains strong, improving 1% to 81 this quarter. Whirlpool improves by 4% to 83 on the strength of lower prices and successful new products. A year ago, Whirlpool, Electrolux and GE were all tied at 80. Electrolux drops 1% to 79 and General Electric slides 4% to 77—an all-time low for the company,

something that appears to be reflected in its share price as well. GE's stock has eroded 53% over the past year, nearly twice the decline of the market as a whole.

E-Business: Google's Dominance Leaves Rivals Searching for Answers

Customer satisfaction with e-business goes up again, by 3% to 81.5, the ninth improvement in ten years. Among portals and search engines, Google maintains a sizeable advantage at 86, 12% higher than Yahoo!, which is unchanged at 77. AOL remains a distant last at 70, which is also the lowest score of any company in the second quarter release.

For a complete list of measured companies and scores, please visit www.theacsi.org.

About the 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 44 industries and from government agencies over the previous four quarters.

The Index is produced by the University of Michigan's Ross School of Business in partnership with the American Society for Quality (ASQ) and CFI Group.

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