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ACSI: Consumers Less Satisfied With Beverages and Household Products; Tobacco Rebounds

*Customer Satisfaction Gains for Philip Morris and Reynolds American;
Anheuser-Busch and Procter & Gamble Decline*

ANN ARBOR, Mich. (October 19, 2010)—Customer satisfaction drops for several nondurables, while tobacco products rebound from last year's lows, according to a report released today by the American Customer Satisfaction Index (ACSI). The report covers customer satisfaction with beer, soft drinks, tobacco, and personal care & cleaning products.

Cigarettes: Higher Prices? No Longer Much of a Problem

The 2009 tax increase on cigarettes led to a sharp downturn in customer satisfaction, but a year later smokers appear to have recovered from the shock. The industry ACSI moves up 5.6% to a score of 76. All the major tobacco companies fare better, with Philip Morris up 7% to lead the industry at 77, followed by Reynolds American, up 4% to 75 to tie with the aggregate of all smaller tobacco brands (+6%).

“Sales taxes and higher prices typically have a dampening effect on tobacco demand, but not this time,” said Claes Fornell, founder of the ACSI and author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*. “With recent data showing overall consumption largely flat over the past two years, consumers seem to be shrugging off the tax increase and adjusting both expectations and budgets to accommodate the higher prices. But even with the current ACSI improvement, smoker satisfaction is still lower than before the tax hike.”

Beverages: Anheuser-Busch Tanks

Beer drinker satisfaction falls from its all-time high in 2009 by 2.4% to 82, driven by a sharp decline for Anheuser-Busch products. Last year, shortly after its acquisition by Belgian InBev, Anheuser-Busch recorded its best ACSI score ever and captured the industry lead. Now that gain evaporates, as the company drops 4% to an ACSI score of 82. Sales of the Budweiser brand fell by nearly 10% over the past year, the largest decline on record, as younger drinkers have increasingly turned to microbrews and low-calorie products. A-B's weakness is Miller's gain. Without improving, Miller claims the top ACSI spot among brewers, unchanged at 83. Molson Coors also remains unchanged, stalled at the bottom of the industry at 81.

Satisfaction with soft drinks also falls, but not by as much, down 1.2% to 84. Dr Pepper Snapple Group drops 1% to 85, but maintains its top position for a fifth straight year. Pepsi is down 2% to 84 to tie Coca-Cola, which is unchanged. The aggregate of smaller soft drink brands—dominated by store brands, but also including labels such as Faygo and Shasta—anchors the bottom of the industry, down 7% to 79.

Personal Care & Cleaning Products: Procter & Gamble Stumbles

After three years of striking reliability with zero changes in either direction, customer satisfaction with personal care and cleaning products falls 2.4% to 83. With the exception of Colgate-Palmolive and Unilever, all companies experience some decline. Perennial leader Clorox is down 2% to 86, relinquishing the top spot to Unilever, unchanged at 87. Colgate-Palmolive edges up 2% to 85 to close in on Clorox, followed by Dial, down 1% to 83.

Much of the deterioration in the industry ACSI score is due to a plunge in customer satisfaction for market-share leader Procter & Gamble. P&G suffers a loss of 4% to 82, matching its lowest score since 2005. According to customer data, both quality and pricing have contributed to P&G's fall, which also is reflected in sluggish sales in several categories, especially hair care products.

“In the midst of the weakened economy and lower customer satisfaction, some consumers have abandoned P&G products in favor of lower-priced alternatives,” said Fornell. “If they find these alternatives satisfactory, it will be difficult for P&G to win customers back without offering price discounts.”

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. ACSI releases results for various sectors of the economy on a monthly basis to provide up-to-the-moment coverage over the entire calendar year. The national index is updated each quarter and factors in scores from more than 225 companies in 45 industries and from government agencies over the previous four quarters. The Index was founded at the University of Michigan's Ross School of Business and is produced by ACSI LLC. ACSI can be found on the Web at www.theacsi.org.

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