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Customers Satisfaction Slides as Automakers Try to Keep Pace with Pent-Up Demand

Luxury Plates Top the Industry, Acura Debuts in ACSI

ANN ARBOR, Mich. (August 27, 2013) – Automakers are not pleasing customers as much as they did a year ago, although pent-up demand is pushing strong sales, according to a report released today by the American Customer Satisfaction Index (ACSI). Customer satisfaction with automobiles and light vehicles declines 1.2% to an ACSI benchmark of 83 on a 0 to 100 scale, following back-to-back years of improvement.

The slide in customer satisfaction for autos comes at a time when sales of both domestic and import brands are surging. The industry's sales growth is most likely due to pent-up demand, along with inexpensive financing and the return of dealer incentives.

“The current lapse in customer satisfaction is a warning signal to automakers—once pent-up demand has run its course, continued sales growth will go to companies that keep their own customers or attract their competitors' customers,” says Claes Fornell, ACSI founder and Chairman. “The critical component for both types of customer flows is strong customer satisfaction. The more satisfied your customers are, the more likely it is that you will keep them; those with less satisfied customers run the risk of losing them.”

The ACSI's 2013 Auto Industry report covers customer satisfaction with 20 nameplates—both foreign and domestic—which comprise some of the most popular brands bought by U.S. consumers.

Is Detroit Stretched Too Thin?

The erosion in customer satisfaction for autos impacts domestics as well as imports. Overall, only 26% of the individual nameplates improve, while 53% decline and 21% remain unchanged. Among Asian vehicles, three of nine show decreases. Likewise, two of three European brands drop. On the domestic side, five of eight nameplates are down compared to a year ago.

Although the drop in customer satisfaction affects most automakers, Detroit is losing ground to imports. The customer satisfaction gap relative to imports is now the widest in

five years. As recently as 2010, Asian and domestic carmakers were tied for customer satisfaction, but the Asian group has reestablished a significant advantage.

Of the eight nameplates above the industry average, only two are domestic (Cadillac and GMC), while the three bottom entries are all domestic (Jeep, Dodge, and Chevrolet). While domestic automakers reported strong sales for July, the aggregate of the Big Three's market share has shrunk slightly since 2011 and remains below pre-recession levels.

“U.S. automakers may be stretched too thin, ramping up production to meet rising demand,” says David VanAmburg, ACSI Director. “At more than full capacity, it is not unexpected that quality may be giving way to quantity. This could become problematic once demand slackens, making further sales growth more challenging unless customer satisfaction improves.”

Luxury Plates Earn High Marks; Acura Debuts at Industry Average

As in previous years, luxury brands have the upper hand when it comes to pleasing customers in 2013. Mercedes-Benz captures the industry lead, jumping 4% to an ACSI benchmark of 88. Toyota's Lexus brand slips 2% but retains second place at 87, followed closely by three cars at 86—Subaru, Toyota, and an improved Honda (+4%). GMC gains 6% to 85, tying luxury plate Cadillac. Volkswagen dips slightly, but still exceeds the industry average at 84.

Honda's upscale brand Acura enters the ACSI at 83, equaling the industry average, but a far cry from Toyota's upscale Lexus nameplate. The Ford nameplate ties Acura with an unchanged score of 83. Several vehicles cluster a point lower at 82. Kia and Mazda are flat compared with the prior year, while Buick, BMW, and Hyundai show declines ranging from 4% to 6%.

Both GM and Chrysler show mixed results in 2013, with two of three brands suffering downturns in customer satisfaction. For GM, both Buick and Chevrolet drop 6% compared to the prior year. The loss for Chevrolet places it in a tie for last with Chrysler's Dodge, down 2% to 79. Chrysler's Jeep retreats as well, down 4% to 80, but the Chrysler nameplate rebounds 6% to 83.

The full report is available for free download at www.theACSI.org. Follow the ACSI on Twitter at @theACSI and Like us on Facebook.

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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 analyzing customer satisfaction with more than 230 companies in 43 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 on 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 GDP 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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