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Customer Satisfaction with Household Products Falls as Prices Rise

Consumers Lose Taste for Soft Drinks, Breakfast Cereal; Large Drops for Dr. Pepper Snapple, Kellogg; Gains for Craft Breweries

ANN ARBOR, Mich., (October 21, 2014) – Rising prices are hurting customer satisfaction with everyday household items, according to the latest results of the American Customer Satisfaction Index (ACSI). Customer satisfaction deteriorates across all categories of household nondurables, including food, soft drinks and beer, cleaning products, athletic shoes and apparel.

"It's never good news when customer satisfaction drops across the board," says Claes Fornell, ACSI Chairman and founder. "Since most nondurables are repeat purchases, strong customer satisfaction is critical. When it weakens, consumers become more reluctant to buy and brand loyalty suffers. As a result, demand weakens overall. Companies typically respond by offering deals and price discounts, which lead to increased brand switching, lower margins, and more volatile revenue streams. This can further erode customer satisfaction as consumers eschew their favorite label for a discounted brand that then turns out to be less satisfactory."

The *ACSI Nondurable Products Report 2014* is available on the ACSI website at www.theacsi.org/news-and-resources/customer-satisfaction-reports/reports-2014/acsi-nondurable-products-report-2014.

High food prices, which have increased at more than twice the rate of the Consumer Price Index, are driving customer satisfaction with food manufacturers lower as the industry falls 2.5 percent to an ACSI score of 79 on a 100-point scale. Nearly all food companies register a drop in customer satisfaction, particularly the aggregate of smaller companies and store brands, which declines the most—down 4 percent to the bottom of the industry at 77.

With meat prices up sharply, food makers that emphasize meat products are posting lower customer satisfaction scores, including Hillshire Brands (-2%), ConAgra (-1%) and Tyson (-1%). The recent completion of the Tyson and Hillshire Brands merger brings together two of these lower-scoring meat processors.

Customer satisfaction with the largest cereal manufacturers is down as sales of breakfast cereal have fallen 5% over the past year. General Mills and PepsiCo's Quaker division each drop 2 percent to tie at 85, but Kellogg declines the furthest, tumbling 5 percent to 81.

Mars (+1% to 85) and Nestlé (+2% to 85) are the only food companies to improve this year, but rival chocolate maker Hershey, unchanged at 86, maintains a slim lead over both. Perennial leader Heinz is long established at the top with an ACSI score of 87.

The shift in consumer preferences toward healthier beverages results in weaker customer satisfaction for soft drinks and the category slides 2.4 percent to 82, its lowest level since 2001. Dr Pepper Snapple plummets from the top with a 5 percent drop to 82, leaving Coca-Cola and PepsiCo tied for the lead at 83, although they decline as well. Smaller companies and store brands drop by 2 percent to a collective score of 80, which is the bottom of the category.

The large beer makers fare no better, as breweries fall 2.5 percent to an ACSI score of 79. Smaller breweries make gains in customer satisfaction, climbing 3 percent to lead the category with an aggregate score of 82, but the giants of brewing lag behind. Anheuser-Busch drops sharply, down 5 percent to 77, while MillerCoors hardly moves (-1% to 81). Over the past year, sales of craft beer surged 17 percent, while overall beer sales contracted 2 percent.

Customer satisfaction with shampoo, soap, toothpaste, detergents, and cleaning products slips 1.2% to an ACSI score of 82. Clorox is the only large company to escape a customer satisfaction loss this year, leading the field at 85. Colgate-Palmolive and Procter & Gamble dip slightly to 83 and 82, respectively. Dial drops 4 percent to below the average at 81, while Unilever tumbles 6 percent to last place at 80.

As with every other category of nondurables, customer satisfaction with athletic shoes and apparel wanes. Athletic shoes fall back 1.2 percent to an ACSI score of 80, while apparel reaches its lowest point in 20 years, down 1.3 percent to 78. Smaller athletic shoe brands (including Skechers and New Balance) lead despite a 2 percent dip to the combined score of 81. Nike and Adidas lag well behind, but a 4 percent downturn to 77 for Adidas hands the advantage back to Nike (stable at 78).

In apparel, VF improves 4 percent to top the category at 84, but all other major brands trail far behind. Following a small gain, Jones Group places a distant second at 81. Levi Strauss, which led the category a year ago, drops 2 percent to 80. Hanesbrands falls to 78, but smaller companies (including store brands) have the poorest customer satisfaction at 77, below the industry average.

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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 throughout the year, with all measures reported on 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 GDP growth.

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