ACSI

American Customer Satisfaction Index ™

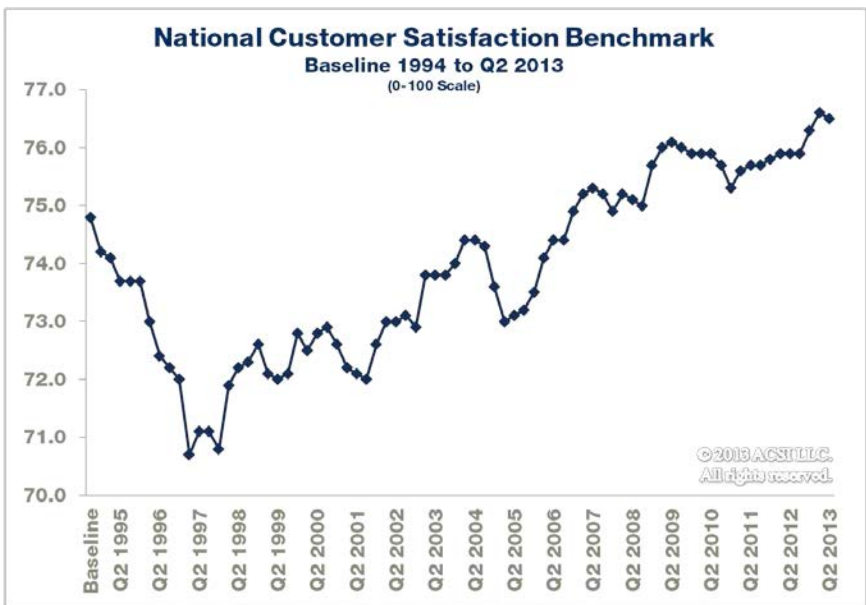
August 2013

Quarterly Update on U.S. Overall Customer Satisfaction

2013 Results for Automobiles

Downturn with Durable Products Reins In Growth for Overall U.S. Customer Satisfaction

Overall customer satisfaction dropped by a miniscule 0.1% to an ACSI score of 76.5 in the second quarter of 2013, halting the climb that began in 2010. A downturn in customer satisfaction with durable products, including autos and major household appliances, is responsible for the small deterioration in aggregate customer satisfaction.



The U.S. economy grew by no more than 1.7% during the second quarter, and consumer spending rose by 1.8%. This is low by historical standards and lower than both the ACSI projection, which forecasted a growth of 2.8% to 3.0%, and the 2.3% spending growth for the first quarter. The positive effect of high customer satisfaction on household demand was tempered by weak consumer discretionary income growth. The outlook on spending, however, has improved. Retail sales have been fairly

About ACSI

The American Customer Satisfaction Index (ACSI) is an independent national benchmark of customer satisfaction with the quality of products and services available to household consumers in the United States.

Each year, 70,000 customers are surveyed about the products and services they use the most. The data serve as inputs to an econometric model that benchmarks customer satisfaction with more than 230 companies, 43 industries and 10 economic sectors, as well as over 100 services, programs, and websites of federal government agencies.

The ACSI's time-tested, scientific model provides key insights across the entire customer experience. ACSI results are strongly related to a number of essential indicators of micro and macroeconomic performance. At the micro level, companies with high levels of customer satisfaction tend to have higher earnings and stock returns relative to competitors. At the macro level, customer satisfaction has been shown to be predictive of both consumer spending and GDP growth.

strong and consumer debt service is now much less burdensome. Debt is now a lower percentage of disposable income due to low interest rates as well as shrinking total debt. Since aggregate customer satisfaction remains high, albeit not growing, it still points to a spending increase of 2.6% to 2.8% for the third quarter.

Autos: Is Detroit Stretched Too Thin?

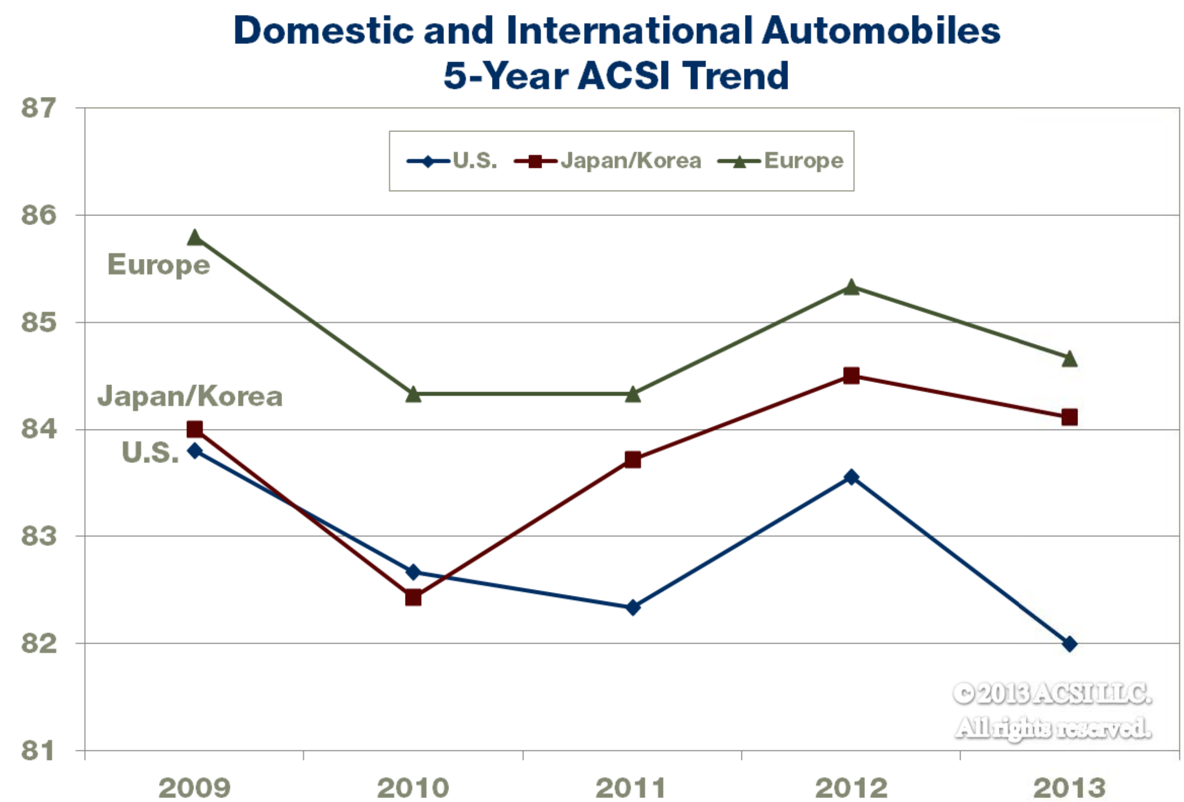
Customer satisfaction with automobiles and light vehicles declines following back-to-back years of improvement, falling 1.2% to an ACSI benchmark of 83. The slide comes at a time when sales of both domestic and import brands are surging. The industry's sales growth is most likely due to pent-up demand coupled with inexpensive financing and a resurgence in dealer incentives.

Customers rate the quality of the vehicles they purchased slightly lower compared with a year ago, possibly an effect of earlier improvements in customer satisfaction. Higher levels of customer satisfaction create greater customer expectations that automakers are then challenged to meet—let alone exceed. Over the past five years, the average ACSI score for the auto industry is 83. Over the period prior to the recession, the score was 80.

The current dip in customer satisfaction should be seen as a warning signal to automakers—once pent-up demand has run its course, continued sales growth will go to companies that retain their own customers and to those that attract competitors' customers. Customer satisfaction obviously plays a critical role for both types of customer flows. Automakers with satisfied customers will be more likely to keep customers, while automakers with less satisfied customers run the risk of losing them. About half of all buyers purchase their next vehicle from the same manufacturer—and the higher the satisfaction, the greater the likelihood of customer loyalty.

The erosion in customer satisfaction is evident for both domestics as well as imports. Over the past year, three of nine Japanese and Korean nameplates and two of three European brands drop, with Hyundai and BMW showing the largest decreases. Similarly, customer satisfaction deteriorates for five of eight domestic brands, with sizeable downturns for Chevrolet and Buick. Overall, only 26% of the individual nameplates improve, while 53% decline and 21% remain unchanged.

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 domestics were tied in customer satisfaction, but Asian carmakers have now 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). ACSI scores for all three have deteriorated from a year ago. Even though recent sales of domestic nameplates have been strong, 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. This becomes problematic once demand slackens, making further sales growth more challenging unless customer satisfaction improves. At more than full capacity, it is not unexpected that quality may give way to quantity. But perhaps what is surprising is that quality, in the eyes of the buyer, has not deteriorated more. That, in itself, speaks well for the "new Detroit."

The top automakers for 2013 are a mix of luxury and Japanese brands. Mercedes-Benz jumps 4% to take the overall lead (88), followed closely by Toyota's Lexus brand (slipping 2% to 87) and the grouping of Subaru, Toyota, and Honda at 86. For Honda, this represents a 4% increase in customer satisfaction compared to 2012. With a sharp rise of 6%, GMC ties luxury plate Cadillac at 85. Volkswagen dips slightly, but still exceeds the industry average at 84.

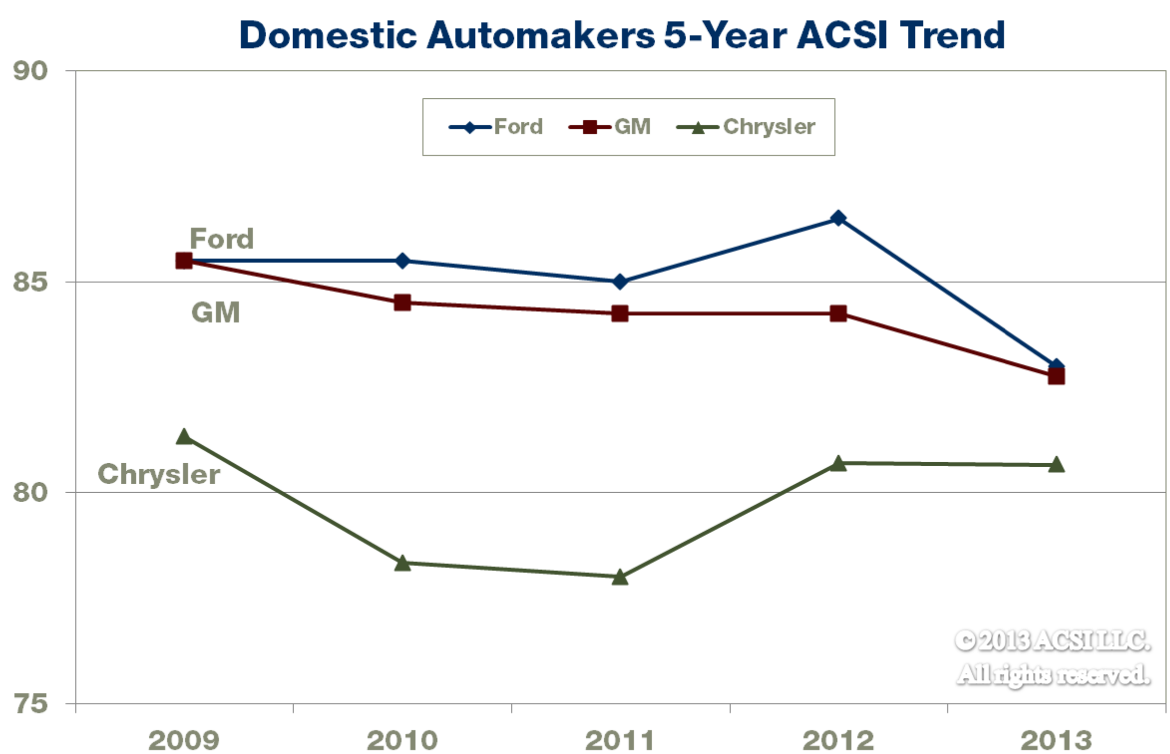
Automobiles & Light Vehicles
ACSI Scores

Company	2012	2013	% Change
Automobiles & Light Vehicles	**84**	**83**	**-1.2%**
Mercedes-Benz (Daimler)	85	88	4%
Lexus (Toyota)	89	87	-2%
Subaru	87	86	-1%
Toyota (Toyota)	85	86	1%
Honda	83	86	4%
Cadillac (GM)	86	85	-1%
GMC (GM)	80	85	6%
Volkswagen	85	84	-1%
Acura (Honda)	NM	83	NA
Ford (Ford)	83	83	0%
Nissan	83	83	0%
Chrysler (Chrysler)	78	83	6%
Buick (GM)	87	82	-6%
BMW	86	82	-5%
Hyundai	85	82	-4%
Kia	82	82	0%
Mazda	82	82	0%
All Others	82	81	-1%
Jeep (Chrysler)	83	80	-4%
Chevrolet (GM)	84	79	-6%
Dodge (Chrysler)	81	79	-2%

Honda's upscale brand Acura enters the ACSI this year at 83, equaling the industry average, but a far cry from Toyota's upscale Lexus nameplate. Five brands come in just below average at 82. Among the five, Kia and Mazda are unchanged, while Buick, BMW, and Hyundai drop anywhere from 4% to 6% compared with the prior year. For Buick, robust sales of the Enclave and the new Encore helped generate growth, but the sales of the three sedans (Lacrosse, Regal, and Verano) declined.

Among the vehicles that are at or below industry average, half are domestic. The Ford nameplate is unchanged at 83, matching the industry average. Two GM vehicles, Buick and Chevrolet, sink 6% to 82 and 79, respectively, moving in opposition to GMC. Like GM, Chrysler shows mixed results: the Chrysler nameplate rebounds (+6%) while Jeep retreats (-4%).

Looking at Detroit's Big Three, Ford and GM are statistically tied with overall customer satisfaction benchmarks of 83, while Chrysler stays at 81. Although Chrysler remains behind Ford and GM, the gap has narrowed.



Year-on-year sales for July appear to be strong for the domestic brands, with GM up 16.3%, Ford 11.3%, and Chrysler 11.1%. However, with auto sales up 14% overall for the period, Ford and Chrysler actually lost ground.

Both BMW and Hyundai have had major recalls of recent models in 2013. From the perspective of the customer, recalls reflect problems with vehicle quality, which is the most important element of the customer experience with automobiles. Frequent or widespread recalls create customer dissatisfaction: the overall ACSI score for new vehicles that had at least one recall in the past year is 81 compared to 84 for vehicles that were not recalled.

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About this Report

The August 2013 ACSI report on automobiles is based on interviews with 4,078 customers, chosen at random and contacted via telephone and email between April 6 and May 22, 2013. Customers are asked to evaluate their recent purchase and experiences with automobiles manufactured by the largest companies in terms of market share, plus an aggregate category consisting of "all other" and thus smaller auto nameplates.

The survey data are used as inputs to ACSI's cause-and-effect econometric model, which estimates customer satisfaction as the result of the survey-measured inputs of customer expectations, perceptions of quality, and perceptions of value. The ACSI model, in turn, links customer satisfaction with the survey-measured outcomes of customer complaints and customer loyalty. ACSI subscribers receive confidential industry-competitive and best-in-class data on all modeled variables and customer experience benchmarks.

Coming in September 2013

The ACSI will release its annual results for manufacturing durables in three industries: personal computers, major appliances, and televisions & video players/recorders. The ACSI will publish customer satisfaction benchmarks for the largest companies by market share in these industries.

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Appendix: ACSI Industry Scores