



ACSI: A Predictor of Financial Performance and Shareholder Value

“Satisfied customers represent a real, albeit intangible, economic asset that generates future income streams for the owner of that asset.”

– Claes Fornell, author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*

Satisfying your customer sounds like an obvious objective for any business, but its benefits can hardly be overstated. It is a task no less important than satisfying shareholders, and a successful customer relationship does indeed improve profits and shareholder value.

Effective management of the customer relationship starts with understanding the customer, and only one metric has proven to be an accurate predictor of consumer spending and is linked to business performance and shareholder value.

The American Customer Satisfaction Index (ACSI), launched in 1994 by the University of Michigan, and produced through a partnership between the American Society for Quality (ASQ) and CFI Group is the only uniform, national, cross-industry measure of customers' satisfaction with the quality of goods and services available in the United States. The Associated Press called ACSI the “authoritative” measure of customer satisfaction, and *The New York Times* referred to it as “the definitive benchmark.”

ACSI is The Benchmark for Customer Satisfaction

ACSI is a quarterly measure of customer satisfaction with household goods and services available in the U.S. economy, and its quarterly reports are closely watched by business, consumers, and the media. ACSI measures over 200 companies across 43 different industries. Each company is measured annually, with different industries measured every quarter. ACSI uses a 100-point scale, measuring the degree to which customers are satisfied with the goods and services they purchase and consume.

The methodology is a uniform system of measurement, which allows for cross-industry comparisons.

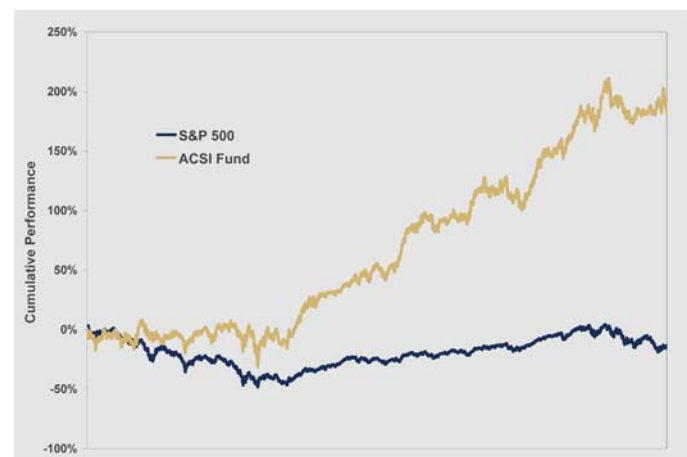
A Leading Indicator of Financial Performance

“As long as repeat business is important and buyers have a choice, customer satisfaction will be a most relevant factor in the prediction of a company's capacity to generate returns for its shareholders.”

– Claes Fornell, *The Satisfied Customer*

Satisfied customers are economic assets with high return and low risk. They are the ultimate source of company cash flows. As such, the degree to which a company can improve satisfaction leads to higher and less volatile cash flows.

That is the premise of an investment fund which uses the proprietary methodology of ACSI for its stock portfolio. Since the fund's inception in 2000, it has outperformed the S&P 500 in both up-markets and down-markets by substantial margins. Companies with better customer satisfaction, as measured by ACSI, perform better in the stock market.





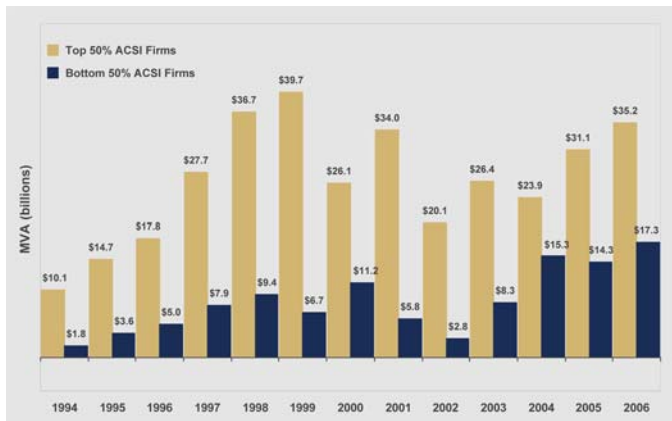
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Satisfaction and Market Capitalization

“Capital knows no loyalty — it goes where the returns are the best.”

– Claes Fornell, *The Satisfied Customer*:

The data speaks for itself. The chart below demonstrates that customer satisfaction and market capitalization go together. Over the 14 years that the ACSI has been in existence, the market valuation of top-performing ACSI companies has been more than 200% greater than the valuation of the lower half performers.

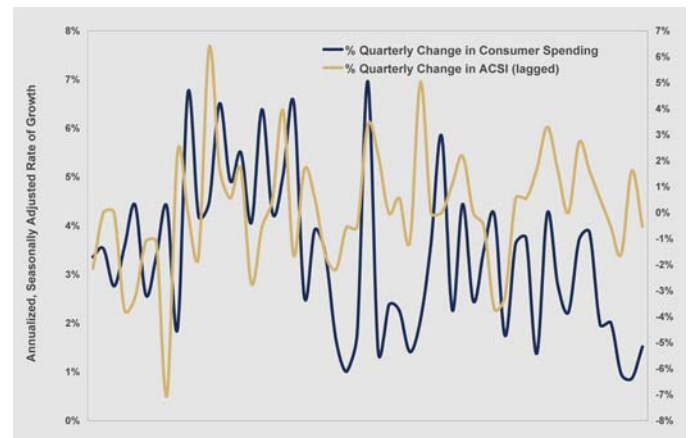


A Leading Indicator of Consumer Spending

“A good deal of human behavior can be reasonably well predicted — either from observation or (better) by understanding the forces that motivate behavior.”

– Claes Fornell, *The Satisfied Customer*

Customers spend money because they derive satisfaction from consumption, and satisfied customers are inclined to want to repeat a satisfying experience. They are also more likely to remain loyal. As a result, ACSI is a leading indicator of consumer spending, which makes up two-thirds of GDP.



ACSI's unique ability to capture the voice of the nation's consumer makes it a necessary resource for policy makers, business leaders and investors. Companies that do well by the customer are achieving remarkable financial results and stock returns.

For more information on ACSI, visit www.theacsi.org or email contactcfi@cfigroup.com