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US Customer Satisfaction Highest Since 1995, Fueling Consumer Demand

E-Commerce Leads Slight Increase in American Customer Satisfaction Index; Fast Food Jumps, Retail Solid

MILWAUKEE, WI (February 18, 2004)—Customer satisfaction has reached the highest level since the second quarter of 1995, according to a report released today. The American Customer Satisfaction Index (ACSI) ticked up .3 percent to 74, continuing a strong two-year upward trend in how people evaluate the quality of goods and services on which they spend their money. The final-quarter report for 2003 shows satisfaction up a substantial 1.5 percent over the previous year.

Satisfaction with the buying experience has historically led to repeat business and increased spending, and the new data suggest that consumer spending will continue to rise. The ACSI is a national economic indicator produced by the University of Michigan, American Society for Quality, and the CFI Group.

Americans are finding the most to like with e-commerce, particularly e-retail, and in the kinds of experiences delivered by Costco and some other traditional retailers. Costco is the leader among retailers, with a score of 80 on the ACSI's 100-point scale. But e-retail as a category registered an 84 and Amazon.com leads all companies measured last quarter with an exceptionally high score of 88.

“A person who has a good purchase experience is more inclined to spend again,” said Claes Fornell, director of the University of Michigan's National Quality Research Center, which compiles and analyzes the data. “Sustainable economic growth ultimately links to the availability of goods, services, and experiences for which people are willing to repeatedly open their wallets.”

The fourth quarter ACSI report includes two economic sectors—retail and finance/insurance, plus e-commerce. E-commerce, which was already at a high level, also showed the greatest increase this year over last—up 4.1 percent to 80.8 from 77.6 in 2002. Finance/insurance climbed by 1.2 percent, from 73.8 to 74.7. Retail is up slightly to 75 from 74.6 last year. In the report, each sector is further broken down into industries. The report includes scores for those categories and for individual firms.

“Every one of these industries has major players that have been taking deliberate, specific steps to better match product, service, and process quality with the customer’s definition of how things should be,” said Jack West, past president of the American Society for Quality. “In a tough economy, many companies recognize that improving quality and delivering better experiences for customers is the way to stimulate spending.”

The performance of e-commerce is impressive, especially given that the data also show customer expectations to be among the highest of any industry measured.

“E-commerce is getting better and better at first determining what constitutes an excellent experience in the minds of customers and then quickly delivering,” said Larry Freed, an online satisfaction expert and CEO of ForeSee Results. “The barriers to making improvements are definitely lower on the Internet, and companies like Amazon.com, barnesandnoble.com, and eBay are showing they know how to use that advantage effectively.”

At the firm level, the most substantial improvements were made by Pizza Hut (up 7.1 percent, from 70 to 75), Bank of America (a 5.7 percent increase, from 70 to 74), and JC Penney (an improvement of 4.1 percent, from 74 to 77). One of the star performers from last year, Kohl’s, dropped six percent but fell from a lofty 84 to a still-strong 79. Amazon.com did not improve but its 88 score is the highest of any company measured last quarter and one of the highest in the Index overall.

Within e-commerce, performance of the four categories measured improved with the exception of travel. eBay registered a two-point hike, increasing its score 2.4 percent from 82 to 84.

“Travel does well, but not as well as they could,” said Freed. “There’s little distinction among the players and little evidence of providing as satisfying an experience as some other categories of e-commerce. Some of that may be tied to the ultimate product, though. Airline tickets are ultimately out of their control.”

“eBay is the auction category leader, far and away,” he said. “They are one of the three strongest performers in e-commerce, and one of an elite group of top-performing companies in the ACSI overall, and their revenues are following.”

Amazon.com’s “remarkable” score of 88 may belie a future challenge, according to Fornell.

“Although Amazon.com customers consider service quality to be exceedingly high, an increasing part of their satisfaction is due to lower pricing,” he said.

Among the retail stores measured, Kohl's remains the leader in its category, despite a six percent drop to 79. Kohl's is included in the department/discount stores category, as is JC Penney. Penney is headed in the opposite direction, however, jumping 6.8 percent to 78. Target and Dillard's essentially tied with Penney, both earning scores of 77. The troubled K-Mart brings up the rear with a 70.

"JC Penney has been forced into focused retrenchment, squeezed as it is between Target and Wal-Mart," said Fornell. "But as far as customers are concerned, things have improved. Complaints are down and service quality is up."

Costco, included in the specialty retail category, is well ahead of its competitors with its score of 80. Lowe's and Sam's Clubs are relatively strong, though, both pulling a 77. Best Buy (72), Home Depot, and Circuit City's (both 73) are essentially tied at the bottom of the category.

Fast food's improvement from 71 to 74 makes it the biggest gainer in the new report. YUM! Brands' Pizza Hut made the category's biggest jump, up 7.1 percent to 75. This comes on the heels of YUM!'s KFC restaurants 2002 improvement of 10 percent, and KFC was up another 2.3 percent in 2003. The category leaders continue to be Papa John's, holding steady at 76, along with Domino's and Pizza Hut, which both scored 75.

Also included in the retail category are supermarkets. Publix has consistently been the category leader, and remains so with its score of 82 (up 1.2 percent from 81). Its nearest competitor is SUPERVALU at 77. Kroger and Safeway are tied for last with their 71s.

In financial services, the highest scores went to the life insurance and property/casualty insurance categories, 77 and 78 respectively. Farmer's Group's 4.2 percent increase to 75 still leaves it well behind GEICO, at 79, among property/casualty insurers. Healthcare insurance does not do well with customers, with a category score of 70. Blue Cross earned the category high of 72, and United Health Group registered a poor 64. Bank of America showed a very healthy increase in the banking category, a 5.7 percent jump from 70 to 74. Wachovia, the category leader at 76 also improved strongly, up 4.1 percent over its 2002 score.

The ACSI is produced quarterly, including a different set of industries each quarter such that all industries are updated once per year. The national ACSI score is a rolling average of these updates. Each quarter's ACSI report includes a score that indicates the economy's overall performance, as well as scores by sectors, industries, and specific companies.

The ACSI is produced by a partnership of the University of Michigan Business School, American Society for Quality and CFI Group, and supported in part by Market Strategies, Inc., a major corporate contributor, and ForeSee Results, e-commerce co-sponsor.

The Index is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States. It is updated each quarter with new measures for different sectors of the economy replacing data from the prior year. The overall ACSI score for a given quarter factors in scores from about 200 companies in 39 industries and from government agencies over the previous four quarters.

At the firm level, a one-point change is within the margin of error. Any change at the national, sector, and industry level is meaningful.

Company scores and other information about the ACSI can be found on the ACSI Web site: www.theacsi.org.