ACSI ADDS E-COMMERCE: CUSTOMERS MORE SATISFIED SHOPPING ON-LINETHAN STANDING IN LINE

National Index Increases Slightly with Gains in Manufacturing/Nondurables.

MILWAUKEE, November 27, 2000--Customers are more satisfied making retail purchases on-line than they are shopping at traditional bricks and mortar department and discount stores. According to the American Customer Satisfaction Index (ACSI), satisfaction with on-line retail earns a score of 78 on a 0 to 100 scale, significantly higher than the most recent measure for traditional department and discount stores at 72. Amazon.com scores a stunning 84, higher than any service sector company in ACSI, and higher than Costco, which at 79 is the leader among traditional retailers.

Thirteen e-commerce companies providing portals, brokerage services, retail, and auctions have been added to the 170 private sector companies, 29 federal government agencies, two types of local government service, and the U.S. Postal Service already included in ACSI. Customer satisfaction for the entire e-commerce sector is 73.2, which is high for a service industry.

"Even though e-commerce provides higher levels of customer satisfaction overall, this is not true for all e-commerce companies," says Professor Claes Fornell of the University of Michigan Business School. "In view of the intense competition, the high cost of customer acquisition, and the ease by which customers can switch vendors and abandon their current suppliers, it seems safe to predict that companies that fail in satisfying customers will face difficult times."

To represent e-commerce, the University of Michigan Business School, which along with ASQ and the CFI Group form the partnership that produces ACSI, selected the 13 companies with the largest 1999 revenues in their respective categories: portals, retail, auctions, and brokerages. Aggregate measures of "all other companies" in each category provide a comprehensive picture of the current satisfaction of e-commerce customers. Sampling and data collection for the Index are conducted by Market Strategies, Inc., a major corporate sponsor of ACSI.

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1 Revenue from Business 2.0 (April 2000); Hooversonline; Fortune 50 (December 6, 1999); and Microsoft 1999 annual report.
Retail shows the highest satisfaction (78) with on-line brokerages and auctions both at 72.

Yahoo! leads among portals, e-Bay among auctions/reverse auctions, and Charles Schwab among brokerages.

Compared with traditional retailers, Amazon.com has a very high customer satisfaction score of 84. Not only is it higher than Costco’s score of 79, it is also higher than all other major department and discount chains measured in the ACSI.

ACSI is updated on a rolling basis with two economic sectors measured each quarter and data for these replacing data collected the prior year. E-commerce is being treated as a separate sector although its sales fall in other sectors such as retail and finance.

Manufacturing/nondurables, which are also measured in the third quarter, continue to score high in the ACSI. Customers have many brand alternatives among nondurable products such as packaged foods, beverages, apparel, and personal care products. Because the consumption period is short, it is also less likely that dissatisfied customers will continue to purchase products they are not pleased with.

“Here’s one company—H.J. Heinz—that clearly has a recipe to create value by producing what customers want at a price they’re willing to pay,” said Jack West of ASQ. “While more companies are experiencing difficulty keeping their products and services from being perceived as commodities, Heinz shows that some well established companies in traditional industries continue to distinguish themselves by offering products that satisfy their customers.” Heinz, a consistently high performer in the ACSI, has led the food processing industry for five consecutive years and is now the highest rated company in the ACSI with a score of 90.

The ACSI for the nondurables sector, which accounts for a little more than seven percent of the gross domestic product (GDP) increases one point, from 80.0 to 81.0 compared to one year ago. Nondurables, rather than e-commerce, which are still a small part of the economy, account for the upward move of the national ACSI to 72.9. The national satisfaction index has made a steady climb since a low of 71 in 1997. It is up from 72.1 one year ago and from 72.8 in the 2nd quarter of 2000.

Six of the eight industries measured in the nondurables sector improve their satisfaction score, as did 25 of the 39 companies. ACSI scores drop for only six companies while scores for eight remain unchanged.


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2 STATISTICAL NOTE: A difference greater that +/- 3.0 points on a scale of 0-100 between any two companies, or the same company in different years, is greater than could be caused by sampling error at the 90% confidence level.
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ACSI 1994 - Q3 2000

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