ACSI: Drop in Customer Satisfaction Points to Weak Economic Growth

ANN ARBOR, Mich., (March 24, 2015) – The national level of customer satisfaction dropped 0.5 percent to 75.2 in the final quarter of 2014, according to the American Customer Satisfaction Index (ACSI). This is the fourth consecutive quarterly decline in customer satisfaction for the country as a whole, forecasting weak economic growth for 2015.

“Even though the U.S. economic recovery is outpacing the rest of the world at the moment, it can’t gain much more momentum without a substantial increase in consumer spending,” says Claes Fornell, ACSI Chairman and founder. As Fornell told Investor’s Business Daily, “In order for the economy to expand by 4 percent or better, spending growth probably needs to double.”

The last time the economy grew by 4 percent was in the late ’90s, when consumer spending increased by more than 5 percent per year. But in 2014, consumer spending increased by just 2.5 percent and GDP grew by 2.3 percent. Given that consumers represent about 70 percent of GDP, the economy cannot expand much without greater consumer demand.

The new ACSI data suggest that the February jobs report and other economic indicators may have created overly optimistic expectations for growth in 2015. The ACSI, which measures the quality of economic output from the perspective of the consumer, shows that it will be difficult for demand to grow. Deteriorating customer satisfaction shifts the demand curve downward, reducing consumer spending growth.

“Consumer demand is in short supply for two reasons,” says Fornell. “Buyer satisfaction is declining, and wage growth continues to be weak. In other words, consumers need a reason to spend and they need the means to do it.”

With overall U.S. customer satisfaction steadily deteriorating, there is little incentive for customers to increase consumption. Weak consumer spending, low inflation, prolonged low interest rates, declining satisfaction and a global slowdown are rarely associated with economic growth.

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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, including various services of federal and local 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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