ACSI: Downturn in National Customer Satisfaction
Reaches Eight Consecutive Quarters

ANN ARBOR, Mich., (March 29, 2016) – The steep downward trajectory in national customer satisfaction continues, as the free fall of the American Customer Satisfaction Index (ACSI) reaches the two-year mark. The aggregate ACSI score for the fourth quarter of 2015 is down 0.5 percent to 73.4 on a 100-point scale, its lowest score in a decade after eight consecutive quarters of decline.

“Consumer spending and retail sales in the fourth quarter were disappointing but actually predictable, given the extended weakening of customer satisfaction and lack of wage growth,” says Claes Fornell, ACSI Chairman and founder. “Unless both wages and customer satisfaction improve, consumer demand is not likely to pick up enough to lift the economy from its sluggish pace of growth.”

The cause of the sustained decline in customer satisfaction is unclear, though it does coincide with a weakening of corporate earnings and with a reduction in unemployment. When unemployment is high, the job market is more competitive and employees in the service sector often make an extra effort to ensure that customers are satisfied. As job security has strengthened
over the past two years, perhaps that extra effort is no longer there and shoppers are taking notice.

Another contributing factor is the combination of price increases and lack of wage growth. While inflation remains very low, it matters little as price hikes still outpace wage gains. Despite slumping customer satisfaction and lack of discretionary income growth, consumer spending has risen slightly, but that is not sustainable in the long run. The ACSI model predicts consumer spending growth of no more than 2.0 to 2.7 percent for the first quarter – still not enough for robust 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 300 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. At the macro level, customer satisfaction has been shown to be predictive of both consumer spending and GDP growth.

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