June 17, 2014

ACSI Restaurant Report 2014

Industry Results for:

Full-Service Restaurants

Limited-Service Restaurants
### Customer Satisfaction Rises for Full-Service Restaurants, Strong and Steady for Limited-Service Restaurants

#### Full-Service Restaurants

Americans ate out an average of four meals per week in 2013, according to data from the American Customer Satisfaction Index (ACSI). This is a 60% increase since the end of the Great Recession. Consumers are more likely to spend on dining out as the economy improves, and higher levels of customer satisfaction help as well, with full-service restaurants gaining 1.2% to an ACSI score of 82 on a 100-point scale. During eight years of ACSI measurement, the industry’s customer satisfaction has never fallen below 80.

This year’s small gain is driven by improvement in smaller chains and restaurants, which make up the bulk of the sit-down industry. The combined ACSI score for these restaurants climbs 2% to lead the category at 83. In contrast, customer satisfaction with each of the five largest full-service brands declines. In a weaker economy, price plays a more important role in determining dining preferences and smaller restaurants that compete on quality rather than price may be more challenged to thrive. But in a strong or improving economy—as is the case now—the opposite is true.

The largest chains fall somewhat below the industry average and there is considerable variation from top to bottom. Darden’s Olive Garden brand and Outback Steakhouse (-1%) tie for the top spot at 80. Despite Darden’s efforts to update Olive Garden’s menus and restaurants, diner satisfaction is down 4% from a year ago, accompanied by flagging sales.

#### About ACSI

The American Customer Satisfaction Index (ACSI) is an independent national measure of customer satisfaction with the quality of products and services available to household consumers in the United States. Each year, 70,000 customers are surveyed about the products and services they use the most. The data serve as inputs to an econometric model that benchmarks customer satisfaction with more than 230 companies, 43 industries and 10 economic sectors, as well as over 100 services, programs, and websites of federal government agencies.

The ACSI’s time-tested, scientific model provides key insights across the entire customer experience. ACSI results are strongly related to a number of essential indicators of micro and macroeconomic performance.

At the micro level, companies with high levels of customer satisfaction tend to have higher earnings and stock returns relative to competitors. At the macro level, customer satisfaction has been shown to be predictive of both consumer spending and GDP growth.
Applebee’s slides 5% to 78 and ties Red Lobster—the full-service chain that deteriorates the most with a 6% drop. Facing increased competition in the seafood dining market and a sales slump worse than Olive Garden’s, Darden recently sold Red Lobster to Golden Gate Capital. Chili’s continues to lag the rest of the industry by a wide margin, falling 5% to 74.

According to guests, full-service restaurants on average do an outstanding job of getting orders right (90) and providing high-quality food and drinks (88 and 89, respectively). Most
elements of the dining experience have improved slightly compared to a year ago, which is consistent with the industry’s small overall gain in customer satisfaction. Diners also give high marks to sit-down chains for food and beverage variety, restaurant layout and cleanliness, and waitstaff courtesy and helpfulness. According to patrons, service speed (86) is the lowest point of the meal, although it is somewhat better than a year ago. Full-service restaurant websites also are better in 2014, with a user satisfaction rating of 85 that far exceeds the ACSI average for all websites (78.5).

**Limited-Service Restaurants**

Customer satisfaction with fast food restaurants is steady for a third straight year at an ACSI score of 80. Fast food is now a bit further behind the full-service restaurant category, but the industry still matches its all-time ACSI high. Strong and stable customer satisfaction is a big change for an industry that was mired in the high 60s to low 70s throughout the 1990s. Price has always been a strong point for fast food, but quality improvements and an expanding variety of quick-service restaurants with diverse menus has helped propel satisfaction with fast food to levels approaching sit-down restaurants.

<table>
<thead>
<tr>
<th><strong>Limited-Service Restaurants</strong></th>
<th><strong>ACSI Scores</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company</strong></td>
<td><strong>2013</strong></td>
</tr>
<tr>
<td>Limited-Service Restaurants</td>
<td>80</td>
</tr>
<tr>
<td>All Others</td>
<td>82</td>
</tr>
<tr>
<td>Papa John's</td>
<td>82</td>
</tr>
<tr>
<td>Pizza Hut (Yum! Brands)</td>
<td>80</td>
</tr>
<tr>
<td>Little Caesar</td>
<td>82</td>
</tr>
<tr>
<td>Domino's Pizza</td>
<td>81</td>
</tr>
<tr>
<td>Subway</td>
<td>83</td>
</tr>
<tr>
<td>Wendy's</td>
<td>79</td>
</tr>
<tr>
<td>Starbucks</td>
<td>80</td>
</tr>
<tr>
<td>Burger King</td>
<td>76</td>
</tr>
<tr>
<td>Dunkin’ Donuts</td>
<td>80</td>
</tr>
<tr>
<td>KFC (Yum! Brands)</td>
<td>81</td>
</tr>
<tr>
<td>Taco Bell (Yum! Brands)</td>
<td>74</td>
</tr>
<tr>
<td>McDonald’s</td>
<td>73</td>
</tr>
</tbody>
</table>
The aggregate of all other smaller fast food chains leads the limited-service category, as is the case for full-service restaurants. A 2% gain to an all-time high ACSI score of 84 for smaller chains—including brands like Panera and Chipotle in the rapidly growing fast casual segment—is enough to offset drops for many of the largest fast food companies.

Among the major fast food chains, pizza dominates the category, with all four of the largest pizza makers surpassing the other operators for customer satisfaction. Papa John’s (unchanged) and Pizza Hut (+3%) share the top spot at 82, with Little Caesar (-2%) and Domino’s Pizza (-1%) not far behind with scores of 80. The combination of high-quality food, convenience, and price keeps customer satisfaction with pizza chains strong.

While the four big pizza chains overall saw little decline over the past year, the same cannot be said for sandwich makers and other types of fast food. Subway falls out of the top spot after a 6% drop to an ACSI score of 78 and ties Wendy’s (-1%). A notch below, several chains bunch together, including an unchanged Burger King at 76. Starbucks falls 5% to 76, followed closely by coffee rival Dunkin’ Donuts at 75 (-6%).

After surging to an all-time high in 2013, KFC plunges 9% to an ACSI score of 74, showing the biggest decline among all restaurants—either fast food or full-service. While KFC is by far the largest of the chicken chains, it has struggled with increased competition from smaller chains like Chick-fil-A and Popeye’s. Over the past five years, KFC has closed 600 stores. Like KFC,
fellow Yum! Brands chain Taco Bell is weakening, down 3% to 72. Thus far, Taco Bell’s effort to refresh its menu with a line of breakfast items has not resonated well with customers. McDonald’s also dips 3% to 71 and continues to occupy the bottom of the industry.

Fast food restaurants receive reasonably high marks for the dining experience, but remain well below full-service restaurants. According to customers, food orders are very accurate (88) and improved from a year ago. The quality of beverages and food is reasonably strong (85 and 84, respectively), but the variety of food (82) and drinks (81) lags sit-down restaurants.

Fast food chains provide courteous staff (85) and restaurants are reasonably clean and well laid out (84), but these ratings stay below full-service restaurants. Fast food websites (82) are above average compared to the ACSI benchmark for all websites (78.5). The speed of checkout or delivery—a hallmark of the fast food experience—gets good marks from diners and shows slight improvement over a year ago at the industry-wide benchmark of 84.

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About This Report

The 2014 ACSI Restaurant Report is based on interviews with 4,572 customers, chosen at random and contacted via telephone and email between January 13 and March 11, 2014. Customers are asked to evaluate their recent purchase and consumption experiences with the largest companies by market share within each of the measured industries, plus an aggregate of all other smaller brands not measured individually by name in the ACSI.

Coming in July 2014

The ACSI will release its annual results for e-business in three categories: portals and search engines, news and information, and social media. The ACSI will publish customer satisfaction benchmarks for the most trafficked websites in these categories.
Appendix: ACSI Industry Scores

Customer Satisfaction Benchmarks by Industry

- Televisions and Video Players: 85
- Credit Unions: 85
- Soft Drinks: 84
- Personal Care and Cleaning Products: 83
- Life Insurance: 83
- Automobiles and Light Vehicles: 83
- Full-Service Restaurants: 82
- Consumer Shipping: 81
- Cooperative Utilities: 81
- Property and Casualty Insurance: 81
- Food Manufacturing: 81
- Breweries: 81
- Athletic Shoes: 81
- Limited-Service Restaurants: 80
- Household Appliances: 80
- Specialty Retail Stores: 80
- Internet Brokerage: 80
- Ambulatory Care: 79
- Personal Computers: 79
- Apparel: 79
- Health and Personal Care Stores: 79
- Internet Retail: 78
- Banks: 78
- Supermarkets: 78
- Cellular Telephones: 78
- Department and Discount Stores: 77
- Internet Travel: 77
- Hospitals: 76
- Municipal Utilities: 76
- Internet Portals and Search Engines: 76
- Computer Software: 76
- Investor-Owned Utilities: 75
- Hotels: 75
- Gasoline Stations: 75
- Fixed-Line Telephone Service: 73
- Internet News and Information: 73
- Health Insurance: 73
- U.S. Postal Service: 72
- Wireless Telephone Service: 72
- Airlines: 69
- Internet Social Media: 68
- Subscription Television Service: 65
- Internet Service Providers: 63