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ACSI: Customer Satisfaction Turns Positive Despite Drop for Information Services

Few Information Providers Improve Their Customer Relationships; Large Drops for AT&T, T-Mobile, Nokia, and DISH Network

ANN ARBOR, Mich. (May 17, 2011)—After two quarters of negative change, customer satisfaction as measured by the ACSI turns positive this quarter, but only because gains in the utilities and health care sectors, released in April, more than offset a drop for the information sector. For the first quarter of 2011, the Index rises 0.4% to 75.6 on the ACSI's 0-100 scale.

“For an economic recovery to take hold and generate long-term profit potential, which would be necessary in order to make a significant dent in unemployment, repeat business is going to be critical. And, for that to occur, customer satisfaction is important,” said Claes Fornell, founder of the ACSI and author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*. “However, in view of the lack of overall strength in aggregate customer satisfaction, it is difficult to envision much of an increase in consumer spending in the near future, except from inflation in gasoline, commodity, and food prices.”

Even though customer satisfaction in the aggregate rises, the news for the information sector is mixed. The sector as a whole drops 0.7% to 72.3, second lowest in ACSI next to government services, and many more companies decline than improve. For this release, ACSI covers customer satisfaction with information services, including cell phones, computer software, fixed-line and wireless telephone service, motion pictures, newspapers, subscription TV service, and TV news.

Wireless Telephone Service

Customer satisfaction with wireless telephone service drops 1.4% to an ACSI score of 71, but remains much stronger than it was prior to 2010. Customer satisfaction with the cell phone devices themselves also dips slightly, down 1.3% to 75, with Motorola (+1% to 77) outpacing last-place Nokia (-4% to 73), whose U.S. market share has contracted.

The aggregate of smaller wireless providers, such as TracFone and U.S. Cellular, continues to lead the category, up 1% to an ACSI score of 77. Among the big providers, Verizon Wireless dips 1% for a second straight year, falling to 72 to tie Sprint Nextel, which continues its upward trend, rising 3% following consecutive double-digit gains. In just three years, Sprint has emerged from 15 points below even the second worst in the category to claim a share of the industry lead.

In the wake of their proposed merger, AT&T and T-Mobile show a large deterioration in customer satisfaction and in customer service. T-Mobile falls 4% to an ACSI score of 70, matching a 5-year low, while AT&T descends by 4% to 66, its worst score since 2006—the year before the launch of the iPhone.

“It is common to find a reduction in customer satisfaction after mergers, but it is rare for customer satisfaction to drop ahead of a merger,” said Fornell. “Assuming the deal is approved, it remains to be seen if a much larger AT&T can regain the strength of its customer relationships.”

Fixed-Line Telephone Service

As telecommunications companies devote fewer resources to the shrinking fixed-line telephone business, customer satisfaction falls by 2.7% to an ACSI score of 73. The aggregate of smaller local and long distance providers such as Vonage and Frontier also falls 3% to a score of 76, but remains ahead of the top two larger companies: Qwest at 73 (+1%) and Cox Communications at 72 (-3%).

Other major fixed-line providers either decline or are statistically unchanged. AT&T drops 5% to 71, erasing the gain it earned one year ago and tying Verizon (down 3%). CenturyLink is unchanged at 70. Comcast advances for a second straight year, up 1% to 69, but remaining at the bottom of the industry.

Subscription TV Service

Customer satisfaction with subscription TV service is unchanged at an ACSI score of 66, a year after surging 4.8% to an all-time high. Quality, especially from fiber-optic and satellite, has improved in recent years, but higher fees are significantly dampening customer satisfaction, more so than in other industries.

“Bundling of services such as phone and Internet access may have been both a blessing and a curse for the industry,” said Fornell. “A couple of years ago, a variety of bundling promotions boosted what people saw as value for money; but now, as many of these promotions have ended, subscribers with bundled services are becoming less satisfied and more concerned about price.”

Verizon’s fiber-optic service, FiOS, holds the top ACSI spot for a second straight year even though its ACSI score drops slightly by 1% to 72. DIRECTV is next at 69 (+1%),

recapturing the satellite lead from DISH Network, which falls 6% to 67. AT&T's U-verse, Verizon's fiber-optic competitor, drops 6% to 68. Customer complaints about picture quality, particularly for HD channels, have increased, as AT&T grapples with bandwidth challenges across several of its telecommunications services.

Cox Communications remains the highest-scoring cable provider (unchanged at 67), well above the other three cable companies. Comcast (-3%), Time Warner (-3%), and Charter Communications (-2%) are all tied at the bottom of the industry with ACSI scores of 59.

Computer Software

Customer satisfaction with software surpasses all other information-related categories, rising 2.6% to an all-time high ACSI score of 78. Smaller software companies like Adobe, Intuit, and Symantec lead, up 3% to 79, with Microsoft close behind after a 3% improvement to 78. This year marks a third straight year of ACSI gains for Microsoft. Nevertheless, recent sales of Windows software have declined as a result of a similar drop-off in PC shipments. Customers are more satisfied with Microsoft software, but, for now, the company is selling less of it.

Information and Entertainment Media

Reader satisfaction with the waning newspaper industry is unchanged at a very weak score of 65—the lowest of all ACSI categories. Both TV news and motion pictures do better, but they are moving in opposite directions. Network and cable TV news programs improve 4% to 77, while motion pictures retreat 4% to 73.

About ACSI

The American Customer Satisfaction Index is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States. ACSI releases results for various sectors of the economy on a monthly basis to provide up-to-the-moment coverage over the entire calendar year. The national index is updated each quarter and factors in scores from more than 225 companies in 47 industries and from government agencies over the previous four quarters. The Index was founded at the University of Michigan's Ross School of Business and is produced by ACSI LLC. ACSI can be found on the Web at www.theacsi.org.

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