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ACSI: Slumping Consumer Satisfaction Forecasts Weak Spending

ANN ARBOR, Mich., (December 9, 2014) – The national level of customer satisfaction fell 0.7 percent in the third quarter of 2014 to 75.6 on a 100-point scale, according to the [American Customer Satisfaction Index \(ACSI\)](#), pointing to weak spending growth for the fourth quarter. This is the third consecutive quarterly decline in customer satisfaction for the country as a whole, which is at its lowest level since early 2011.

“The US economy needs more consumer demand to shake off these seemingly persistent doldrums,” says Claes Fornell, ACSI Chairman and founder. “Low interest rates, some inflation and wage growth would all help, but consumers also need a reason to buy. Their satisfaction matters not only to them as individuals, but for the economy as a whole.”

When customer satisfaction began to slump early in the year, ACSI accurately forecasted weak consumer spending growth of no more than 2.3 to 2.5 percent. While most predictions for the Thanksgiving period projected strong growth, retail sales actually fell relative to last year. The suggestion that weak income growth is to blame is inconsistent with the data. Income growth has indeed been weak, but not worse than it was last year. In fact, American households are marginally better off now. Unemployment is down, and a major factor boosting consumers’ ability to buy – gas price – is at its lowest level in years, much lower than it was in 2013.

Based on income, gas price, and even consumer confidence, an increase in consumer spending would be expected – but not if customer satisfaction is used a predictor. There are two major factors that determine spending: expected satisfaction and ability to spend. The latter has improved somewhat, but the former has gotten worse – and continues to deteriorate. Accordingly, the ACSI prediction for the fourth quarter is weak spending growth of 1.8 to 2 percent, a pace too sluggish for a healthy economy.

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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, as well as over 100 services, programs, and websites of federal 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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