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**Traditional Retail Stores More Satisfying, While Growing Demand Strains Customer Service for Internet Retail**

*Amazon Strengthens ACSI Lead, Charles Schwab and Netflix Post Big Gains; Sharp Declines for Target, Office Depot, TD Ameritrade, Rite Aid, and eBay*

**ANN ARBOR, Mich.**, (February 19, 2014) – Customer satisfaction improves for a third consecutive year for retail, according to a report released today by the American Customer Satisfaction Index (ACSI). The retail sector overall gains 1.7% to an ACSI benchmark of 77.9, boosted by higher customer satisfaction with specialty retail stores, supermarkets, drug stores, and gasoline service stations. A fourth traditional retail industry, department and discount stores, shows no change in customer satisfaction compared with a year ago.

Better customer service and widespread discounting among brick-and-mortar retailers more than offsets a drop in customer satisfaction with Internet retail. With more shoppers choosing to purchase online, customer service may have hit a rough patch for Web retailers during the 2013 holiday season. Although online sales growth for the period was weaker than expected, it far exceeded the uptick for traditional retail sales.

“A spate of last-minute holiday purchases online, combined with inclement weather, left some buyers disgruntled by delayed shipments,” says Claes Fornell, ACSI Chairman and founder. “That’s the likely reason for Internet retail getting its lowest customer satisfaction benchmark in more than a decade. Nevertheless, diminished foot traffic at malls—along with a surge in shopping via mobile phones and tablets—indicates that consumers are increasingly embracing the advantages of online commerce.”

**Specialty Retail Improves but Lackluster Results for Department & Discount Stores**

Customers had a better shopping experience at specialty retailers during the 2013 holiday season, with the category gaining 2.6% to an ACSI benchmark of 80. Department and discount stores, on the other hand, remain flat at 77. Upscale Nordstrom leads at 83 and discounter Wal-Mart has the lowest score of 71.

“For traditional retailers, discounting in and of itself is not necessarily associated with weak customer satisfaction, nor is high-end retailing a guarantee of the opposite,” says David VanAmburg, ACSI Director. “Discount chains Kohl’s and Dollar General are both above average for customer satisfaction and are among the industry’s top four, while Macy’s, a traditional department store, comes in at the low end.”

Several chains cluster in the ACSI range of 77 to 79, including J.C. Penney, Sears, Target and the aggregate of smaller stores. Compared with a year ago, JCP is down 2%, while Sears is up by 3%. Macy's declines 3% to 76, but Target suffers the greatest negative change, tumbling 5% to an ACSI benchmark of 77.

Among specialty retailers, including wholesale warehouse clubs, office supply chains or clothing stores, Costco regains the lead with a 1% uptick to 84, followed by Barnes & Noble (unchanged) and Lowe's (+4%) at 82. Home Depot improves 3% to 79, but doesn't catch Lowe's, which has held the customer satisfaction advantage in home improvement for over a decade. At the low end, discounter TJX gains 4% to 79, pulling slightly ahead of both Gap and Best Buy (tied at 77).

The newly merged Office Depot and OfficeMax move in opposite directions as of the fourth quarter of 2013, with Office Depot slumping 6% to 79 and OfficeMax gaining 5% to 82. Staples improves as well, up 3% to an ACSI benchmark of 81.

"Mergers often lead to problems with customer service and reduced customer satisfaction," says VanAmburg. "It is too early to tell how the larger company created from the Office Depot-OfficeMax merger will fare in 2014, or if Staples will emerge as the real winner among office supply chains in the battle for customer satisfaction supremacy."

Specialty retailers earn strong ratings for staff courtesy and for store layout and cleanliness (ACSI benchmarks of 81) compared with department and discount stores at 78. Specialty stores also do a better job of providing name-brand merchandise (81) than department and discount stores (77).

### **Publix Shines Among Supermarkets; Smaller Drug Stores Strengthen Lead**

Customers recognize good value for their money when buying groceries, and the industry inches up 1.3% to an ACSI score of 78. Among national and regional supermarket chains, Publix dominates for customer satisfaction with a stable benchmark of 86. Ever since the ACSI's inaugural year in 1994, Publix has remained number one in its category—a feat unmatched by any other company in the Index.

The aggregate of smaller grocery chains places second at 81, followed closely by Kroger at 80. For the first time in six years, Whole Foods drops in customer satisfaction, down 3% to 78. Winn-Dixie, Supervalu and Safeway are tightly grouped with scores of 76 to 77, while Wal-Mart lags behind at 72.

Customer satisfaction with health and personal care (drug) stores is up 2.6% to an ACSI benchmark of 79. The improvement comes from a large gain for smaller drug stores. Walgreens and CVS are tied at 76, while Rite Aid slides 4% to 74.

Customers give high marks to both supermarkets and drug stores for locations and hours (ACSI benchmarks of 86 and 87, respectively). When asked about quality of pharmacy services, shoppers give better marks to drug stores (84) than to supermarkets (80).

#### **Customer Satisfaction With Online Retail Falls to 12-Year ACSI Low**

Customer satisfaction with Internet retail plummets 4.9% to an ACSI benchmark of 78, the lowest score since 2001. While results for the largest pure-play Internet retailers like Amazon.com and eBay vary, the decline is mostly attributable to a big drop for smaller sites, including both pure players and the websites of brick-and-mortar retailers. This group plunges 9% to the bottom of the industry at 75.

While higher demand at holiday crunch-time may have posed a service challenge to some Web retailers, Amazon improves customer satisfaction by 4% to top the category at 88. Newegg is second at 83, while eBay drops 4% to 80. Likewise, Overstock retreats 2% to 79. Netflix shows a large gain of 5%, recovering partially from a massive blow to customer satisfaction the company took in 2011. At 79, Netflix is gaining, but still not close to its peak ACSI result of 87 in 2009.

Shoppers find the checkout and payment processes of online retailers (ACSI benchmark of 90) to be vastly superior to that of traditional department and discount stores (72) or specialty retailers (77). Online sites also beat traditional stores by a wide margin for both merchandise selection and availability.

#### **Internet Brokers at Record High for Customer Satisfaction**

Customer satisfaction with online brokerage improves for a second year, up 2.6% to an ACSI benchmark of 80—a record high that coincides with the stock market’s all-time high. The category shows nearly across-the-board gains, with Charles Schwab vaulting into the lead, up 9% to 84. Fidelity rises 4% to 81, while the aggregate of smaller brokerages (such as Vanguard and Scottrade) gains 3% to 80. E\*TRADE is lower at 76, but shows a similar 4% increase. TD Ameritrade is the sole decliner, falling 4% to 74.

“While e-brokers can’t control the market conditions that obviously affect customer satisfaction, they should continue to seek opportunities to differentiate themselves for times when the market isn’t so bullish,” says Fornell. “Enhancing the investment experience on mobile devices may be one such opportunity.”

The full report is available for free download at [www.theACSI.org](http://www.theACSI.org). Follow the ACSI on Twitter at @theACSI and Like us on Facebook.

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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 on a monthly basis, with all measures reported on 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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