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Consumer Satisfaction Index Down Sharply, Posing Another Threat to Economic Recovery

ANN ARBOR, Mich., (July 1, 2014) – A sharp first-quarter decline in customer satisfaction contributed to a slowdown in consumer spending growth, according to the American Customer Satisfaction Index (ACSI).

The drop in satisfaction in the first three months of 2014 was one of the largest in the 20-year history of the Index—down 0.8% to a score of 76.2 on the ACSI's 100-point scale, from 76.8 the previous quarter. A downturn in satisfaction weakens consumers' willingness to spend, which in turn leads to falling demand and dampens economic growth.

Record satisfaction levels in the fourth quarter of 2013 had helped push spending somewhat higher despite the lack of discretionary income growth, but there was no such shot in the arm in Q1. Slower than expected retail sales in April and May bear out the weakening inclination to spend that consumers signaled when surveyed by the ACSI in January through March.

“There may be more trouble ahead if the slide in customer satisfaction continues,” writes ACSI chairman Claes Fornell in the report released today. Fornell is also Distinguished Professor Emeritus at the University of Michigan, where the Index was created. “Weaker demand could further threaten economic growth in the second quarter and beyond.”

Companies with the largest market shares obviously have the greatest effect on collective customer satisfaction. All five economic sectors covered by the ACSI in Q1—accommodation and food services, health care and social assistance, information, transportation, and energy utilities—are very large and all posted a decline in customer satisfaction.

Within those sectors, industries accounting for nearly \$1 trillion in economic activity are down significantly: subscription television service (-4.4% from an ACSI score of 68 in 2013 to 65), consumer shipping (-3.6% from 84 to 81), Internet service providers (-3.1% from 65 to 63), hotels (-2.6% from 77 to 75), hospitals (-2.6% from 78 to 76), and investor-owned energy utilities (-2.6% from 77 to 75).

“Collectively, dissatisfied customers who reduce or postpone spending are always a threat to short-term economic growth,” Fornell writes in the report.

While expenditures on energy and healthcare are not discretionary, subscription television services, delivery services, and especially air travel, hotel stays, and dining out often are.

The Q1 ACSI update adds findings from more than 17,500 customer surveys to the Index. Each quarter, a roughly equal number of surveys are conducted and the ACSI is updated on a rolling basis. The national score reflects an aggregate of customer satisfaction with companies that comprise a large cross-section of the economy, producing a gauge of economic utility and consumer demand.

The full report is available for free download at www.theACSI.org. Follow the ACSI on Twitter at @theACSI and Like us on Facebook.

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About ACSI

The ACSI produces a national index of customer satisfaction, updated quarterly, plus annual scores for more than 230 companies in 43 consumer industries that are released throughout the year. The ACSI conducts over 70,000 interviews each year to collect customer evaluations from random samples of households that are representative of the U.S. population.

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