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ACSI: Another Stumbling Block for the Economy as Customer Satisfaction Erodes at the National Level

ANN ARBOR, Mich., (October 8, 2015) – Customer satisfaction at the national level is at its lowest point in nine years, according to the American Customer Satisfaction Index (ACSI). The aggregate ACSI score for the second quarter of 2015 is down 0.5 percent to 74.3 on a scale of 0 to 100, its sixth consecutive quarterly decline.

“While a sustained decline in overall customer satisfaction is never good news, it may be particularly perilous now,” says Claes Fornell, ACSI Chairman and founder. “About two-thirds of the economy is made up of consumer spending, and even though spending growth has edged up, it’s still significantly below the long-term average – and below what is needed for solid economic growth.”

Deteriorating customer satisfaction hurts consumer demand, but paradoxically, it may well be that strength in the retail job market has lessened customer satisfaction. The overall job market seems to be weakening, but not in retail, which has grown by 20 percent since last year. Some of these jobs, however, are replacements due to turnover in customer service positions. Trained employees are leaving consumer-facing positions for slightly improved pay. To the extent that they are being replaced, it is often by less experienced and newly trained personnel.

Only once in the past 20 years has ACSI plunged in a similar way, in 1995-1997. Like today, that period of sustained ACSI decline occurred several years after a recession and after both consumer spending and the job market had rebounded. The major difference between now and 20 years ago is that consumer spending growth in the late ’90s ricocheted to above-average levels, whereas consumer spending today has not even returned to its long-term average.

According to Fornell, another potential cause for today’s declining customer satisfaction may be rudimentary analysis of consumer feedback by many companies. “Companies too often confuse raw data for information, but raw data alone are not instructive or particularly useful. Even though companies have more data, consumer research expenditure remains below 2008 levels.”

The ACSI model predicts consumer spending growth of about 2.6 percent to 2.8 percent for the next quarter – too low for robust economic growth. As a result, it will be difficult for the economy to pick up speed unless both customer satisfaction and discretionary income growth improve.

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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 300 companies in 43 industries and 10 economic sectors, including various services of federal and local 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. At the macro level, customer satisfaction has been shown to be predictive of both consumer spending and GDP growth.

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