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NATIONAL CUSTOMER SATISFACTION LEVELS RISE FOR THE FIRST TIME IN FIVE YEARS

Retailers Give Customer Satisfaction a Boost

MILWAUKEE – Finally breaking a five-year downward slide, consumer satisfaction with service is on the rise, according to the latest update of the American Customer Satisfaction Index (ACSI). The national index gained nearly two points from the same period a year ago – to 72.6 from 70.8 on a 0 to 100 scale – but is still below the ACSI's all-time high score of 74.5 in 1994.

The slow but steady improvement can be attributed largely to a notable 5.5 percent jump in customer satisfaction in the retail industry, which earned a score of 74.7, its highest in three years. This marked improvement for the retail sector helped to offset a flat performance by the finance and insurance industry, as it coped with a barrage of mergers and acquisitions.

'Twas the season… A healthy pre- and post-holiday shopping season in 1998 contributed to department and discount stores earning an ACSI score of 73, their highest rating in two years.

Did somebody say help wanted? In spite of an ongoing shortage of skilled workers, fast food restaurants – hamburgers, chicken and pizza – received a score of 69, a three-point increase from 1997.

"Given the part-time nature of the business, finding and keeping skilled employees has long been an issue for the fast food industry," said Joseph O'Leary, partner in charge of Arthur Andersen Business Consulting's customer satisfaction practice. "However, successful fast food companies have been able to offset that by stepping up their commitment to service. They've implemented better technology for processing orders and training that focuses on delivering consistent, quality customer satisfaction."

There's no service like self service… For the past six years, ACSI scores for gasoline stations have hovered in the 77 to 80 range. The latest score of 79 puts gasoline stations, once again, well above other retail sectors. "Most customers now pump their own gas so service is no longer a large variable in judging the quality of a service station," Claes Fornell, professor, University of Michigan Business School, points out. "Plus, the commodity nature of the product makes product satisfaction uniformly controllable."

Supermarkets just can't bag satisfaction… While other retail sectors showed an improvement in satisfaction, supermarkets have stayed flat at 73 for the past two years, well below a high score of 76 in 1994.

In mergers and acquisitions, the customer gets left behind. During several years in which mergers have been prevalent, customer satisfaction with the commercial banking industry has dropped from a stable 74 (1994 through 1996) to 70 today. "Bank mergers have hurt customer satisfaction in most cases," according to Jack West of the American Society for Quality. "One year ago, the ACSI measured 10 major commercial banks. In the past year these same banks have combined to seven. Of the banks measured by the ACSI, in only one case did a bank's customer satisfaction index rise, and that's because it acquired a bank that delivered higher satisfaction."

O'Leary added that mergers and acquisitions can create issues that ultimately affect customer service. "Mergers often create morale issues for employees concerned about how their jobs will be affected by the change. And consumers experience confusion and concern about how their bank's services will be affected when a new bank takes over," he said.

While bank scores dropped, insurance companies saw little to no change in satisfaction with their performance. Both casualty and life insurance companies remained flat with scores of 77.

"Consumers' current spending confidence is most likely fueling their satisfaction levels with industries such as retailing, which, in turn, is helping give overall customer satisfaction a lift," Fornell said. "But that confidence can be fleeting, and in order to maintain or exceed current satisfaction levels, companies should be prepared to satisfy customers in more listless times."

The American Customer Satisfaction Index (ACSI) is the only uniform, national, cross-industry indicator in the United States that links customer satisfaction of U.S. household customers with performance. The index measures the satisfaction of U.S. household customers with the quality of the goods and services available to them—both those produced within the U.S. and imported from foreign firms that have a substantial market share of dollar sales. This key economic indicator, produced through a partnership of the University of Michigan Business School, the American Society for Quality and Arthur Andersen, helps companies determine and understand what drives customer satisfaction and loyalty, and their relationship to bottom-line financial results. Using the information derived from ACSI data, companies can focus initiatives that will impact and improve customer satisfaction.

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Note: A summary of ACSI scores for the retail, finance and insurance industries follows.

CHANGES IN SECTOR/INDUSTRY ACSI SCORES
(Scores on 0-100 scale)

Sector	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**Change ('98-'99)**
National ACSI (rolling average--data collected 4th quarter of prior year)	74.5	74.2	73.7	72.0	70.8	72.6	+0.4% (prior qtr) +2.5% (prior yr)
Retail Sector*	75.7	73.6	74.6	73.2	70.8	74.7	+5.5%
Department and discount stores	77	74	75	74	72	73	+1.4%
Gasoline / service stations*	78	80	77	78	78	79	+1.3%
Fast food restaurants	69	70	70	66	68	69	+1.5%
Supermarkets	76	74	75	74	73	73	0.0
Finance/Insurance Sector	75.4	74.8	74.1	74.5	74.6	74.5	-0.3%
Commercial banks	74	74	74	72	71	70	-1.4%
Insurance / casualty	82	76	75	77	77	77	0.0
Insurance / life	81	75	74	75	76	77	+1.3%

*Gasoline has been moved from the manufacturing / nondurables sector to the retail sector to reflect that customer satisfaction is measured at the service station level.