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Consumer Demand On the Rise, Report Says

ANN ARBOR, Mich. (April 4, 2014) – Americans’ satisfaction with their shopping, buying, and consumption experiences is at a 20-year high, fueling demand and helping to drive up consumer spending, according to a nationwide survey and related analysis from the American Customer Satisfaction Index (ACSI).

The Index increased by 0.6 percent to 76.8 on the 100-point ACSI scale in the fourth quarter of 2013, according to a report released today. Based on that increase, ACSI analysts forecast the first quarter of 2014 will close out with consumer spending growth of 2.4 to 3.0 percent.

“Satisfied consumers are good for the economy because they create more demand, which is critical for economic recovery,” says Claes Fornell, chairman of the American Customer Satisfaction Index and distinguished professor emeritus at the University of Michigan, where the Index was created. “The strong ACSI numbers suggest that while consumer demand is now pretty strong, it is a latent demand that needs to be triggered by improvement in household discretionary income and consumer confidence in order for the spending to fully materialize.”

Consumer Satisfaction, Confidence & Sentiment

Satisfaction is one of the main factors affecting consumers’ willingness to spend, along with consumer sentiment and consumer confidence.

The ACSI is calculated based on survey data that cover what Fornell calls “the full arc of the customer experience.” The data are fed into an econometric formula that weights specific elements of satisfaction according to which ones most influence spending behavior. Fornell has studied the impact of customer satisfaction on buying behaviors for more than 30 years.

Demand, Spending, and the Stock Market

More than 70,000 people are surveyed over the course of a year to compile the Index. That includes customers of more than 200 firms that have significant enough market share to influence overall national consumer satisfaction and demand for goods and services. The ACSI reports company-level scores publicly on a rolling basis.

“A satisfied customer is often a loyal customer and a loyal customer is often a profitable customer,” says Fornell. “That’s why strong ACSI scores are indicative of stock market performance. Both ACSI and the stock market are at record highs.”

Enough to Fix the Economy?

“For quite some time now, the U.S. economy has suffered from weak consumer demand,” says Fornell. “It is still a big problem. Without strong consumer demand, the economic recovery will continue to be tepid.”

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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 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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