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## ACSI: Retail Customer Satisfaction Drops Despite Improvement for Online Shopping

*Internet Retail Makes Sole Gain; Supermarkets and Drug Stores Lose Ground*

**ANN ARBOR, Mich.,** (February 18, 2015) – Customer satisfaction with retail is down for the first time in four years, according to a report released today by the American Customer Satisfaction Index (ACSI). All brick-and-mortar retail categories show weakening or flat customer satisfaction for the final quarter of 2014. Only Internet retail is up from a year ago.

"Although there are several signs that the economy might finally take off, deteriorating customer satisfaction with retail suggests that consumer demand will not be where it needs to be," says Claes Fornell, ACSI Chairman and founder. "This is also reaffirmed by weak sales for most retailers over the holiday season. Unless consumer spending picks up dramatically, we won't see much – if any – increase in the pace of economic recovery."

The *ACSI Retail Report 2014* covers customer satisfaction with supermarkets, department & discount stores, Internet retail, specialty retail stores, health & personal care stores, and gasoline stations. The report is available on the ACSI website at http://www.theacsi.org/news-and-resources/customer-satisfaction-reports/reports-2014/acsi-retail-report-2014.

### Internet Retail Rebounds Aided by Smaller Websites

Delivery problems caused by bad weather left many online shoppers disappointed last year, but both retailers and shippers were better prepared this time. Customer satisfaction with Internet retailers rebounds 5.1 percent to an ACSI score of 82, with smaller companies and the online business of brick-and-mortar retailers responsible for much of the improvement (+8% to 81). A majority of the pure-play Internet companies actually decline.

Nevertheless, Amazon remains on top (-2% to 86), easily outdistancing Newegg (-2% to 81) and Netflix (+3% to 81). This marks the third straight year of improvement for Netflix. Meanwhile, Overstock (-3%) and eBay (-1%) fall below the industry average to 77 and 79, respectively.

"Netflix's gains coincide with a quadrupling of its stock price since 2012, as the company began to produce original content," says ACSI Director David VanAmburg. "Amazon also is expanding its services into original content and streaming media. With two companies that both provide high levels of customer satisfaction going after the same market, it will be interesting to see who comes out ahead."

### Wal-Mart Declines Further Among Department & Discount Stores

Customer satisfaction with department and discount stores stays flat with an ACSI score of 77, while the gap between the best- and worst-ranked companies continues to grow. At the top, Nordstrom gains 4 percent to 86, while Wal-Mart drops 4 percent to 68 to the bottom of the category. With its lowest level of customer satisfaction since 2007, Wal-Mart is now well behind Target (+4% to 80), Meijer (78), and Sears (-5% to 73).

Dillard’s is stable in second place (81), while Kohl’s dips slightly (-1% to 80) and Macy’s advances 4 percent to 79. Nordstrom, Macy’s and Target are the only stores to improve. For Target, the gain represents a recovery from the drop in customer satisfaction it suffered during its credit card security issues a year ago.

Dollar Tree (79) has been particularly successful with frozen and refrigerated food and its fast-moving inventory and consistent low prices appear to satisfy customers more than the other “dollar” stores, Dollar General and Family Dollar (both 75).

“This may change as Dollar Tree acquires Family Dollar,” says VanAmburg. “Mergers and acquisitions usually lead to lower customer satisfaction. There are significant challenges involved in combining operations of two large companies, at least in the short term. And for customers, bigger is not always better.”

**Costco and L Brands Top Specialty Retail Category**

Customer satisfaction with specialty retailers is down 1.3 percent to an ACSI score of 79. Costco leads the category with a score of 84, beating BJ’s Wholesale Club (81), Sam’s Club (80), and Big Lots (77). In its first year of ACSI coverage, L Brands (Victoria’s Secret, Bath & Body Works) comes in second with an ACSI score of 83.

Among the home improvement chains, Lowe’s (81) tops Menards (78), while Home Depot tumbles 4% to near the category’s bottom at 76. Like Target a year ago, Home Depot faced a high-profile credit card security breach in the fall of 2014. Barnes & Noble (81), Bed Bath & Beyond (81) and PetSmart (80) all score above the industry average.

Staples (79) is number one among office suppliers, and may soon be the only major player left in the field. Not long after Office Depot merged with OfficeMax, Staples is in the process of buying Office Depot (78). Best Buy and GameStop are below average at 77, while clothing retailers TJX (TJ Maxx, Marshalls) and Gap (Gap brands, Banana Republic, Old Navy) score 78 and 75, respectively.

**Supermarket Customer Satisfaction Erodes With Rising Food Costs**

Supermarket customer satisfaction is down 2.6 percent to an ACSI score of 76. Rising food prices played a major role – increasing 3.4 percent last year whereas the Consumer Price Index went up just 0.8 percent.

“Even with frequent price discounts, it’s difficult for supermarkets to moderate the negative effect of rising food costs, especially when wage growth is weak,” says Fornell.

Among the large supermarket chains, there is a shake-up at the top with Trader Joe’s and Wegmans both entering the ACSI at 85, tied for the lead. They supplant perennial number one Publix, which drops 5 percent to tie ACSI newcomer H-E-B at 82. While customer satisfaction with Publix is still very strong, this is the first year that the chain is not on top among supermarkets.

Whole Foods, Target’s grocery division, and ALDI all come in at 81. Other chains above industry average are BI-LO (includes Winn-Dixie) at 79, Kroger (78), ShopRite (77) and Delhaize America (Food Lion, Hannaford) at 77. SUPERVALU (75), Safeway (75) and Albertsons (74) follow closely behind. Next are Ahold USA (Stop & Shop, Giant) and Giant Eagle (both 72). Wal-Mart's grocery division dips to an industry-low score of 71, trailing in the battle for satisfied customers alongside its discount store general merchandise business.

**Health & Personal Care Stores: Big Gain for Rite Aid**
Customer satisfaction with drug stores slips 2.5 percent to an ACSI score of 77. The big three chains (CVS Caremark, Walgreens, Rite Aid) lag behind smaller drug stores, which top the category with a combined score of 81.

Among the big three, Rite Aid leaps 5 percent to 78, while Walgreens inches up to meet the industry average and CVS Caremark dips slightly below that marker (-1% to 75). Rite Aid's gain occurs as the company beats the most recent stock analysts' revenue and earnings expectations.

The pharmacy services of the three largest supermarkets, which are included in the ACSI for the first time, have Kroger on top at 81, followed by Target at 78. As in other retail categories, Wal-Mart trails far behind at 68.

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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, 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. And, at the macro level, customer satisfaction has been shown to be predictive of both consumer spending and GDP growth.



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