



August 26, 2014

# **Quarterly Update on U.S. Overall Customer Satisfaction**

**2014 Results for Automobiles**

American  
Customer  
Satisfaction  
Index®

## ***Weak Auto Results Cause Further Deterioration in Overall U.S. Customer Satisfaction***

The American Customer Satisfaction Index (ACSI) dropped 0.1% in the second quarter of 2014, compounding the large decline in the previous quarter when the national ACSI score plummeted by 0.8%. In the aggregate, a drop in customer satisfaction is likely to increase pressure on the economy's ability to generate consumer demand and repeat buying. This comes at a time when economic growth needs to pick up pace, not slow down.

There are already signs that sales of durable goods are slowing down, particularly in the auto industry. While new car sales are at the highest level since the Great Recession began, the rate of sales growth has contracted substantially in 2014. For the second quarter, the rate of regression in ACSI has slowed significantly, but the index continues to go in a negative direction. Given that earnings growth has been about twice as strong as revenue growth, sales growth is likely to remain weak, as it has been since the financial crisis.



Based on the new ACSI results, consumer spending is unlikely to increase more than 2.5% to 2.7% on an annual basis. More is needed for healthy economic growth, but spending will continue to be curtailed as weak customer satisfaction deters repeat buying and low consumer discretionary income inhibits first purchases.

### **About ACSI**

The American Customer Satisfaction Index (ACSI) is an independent national benchmark of customer satisfaction with the quality of products and services available to household consumers in the United States.

Each year, 70,000 customers are surveyed about the products and services they use the most. The data serve as inputs to an econometric model that benchmarks customer satisfaction with more than 230 companies, 43 industries and 10 economic sectors, as well as over 100 services, programs, and websites of federal government agencies.

The ACSI's time-tested, scientific model provides key insights across the entire customer experience. ACSI results are strongly related to a number of essential indicators of micro and macroeconomic performance. At the micro level, companies with high levels of customer satisfaction tend to have higher earnings and stock returns relative to competitors. At the macro level, customer satisfaction has been shown to be predictive of both consumer spending and GDP growth.

## Auto Industry Customer Satisfaction Erodes for Both Domestics and Imports

Customer satisfaction with automobiles and light vehicles drops for a second straight year, falling 1.2% to an ACSI score of 82. The dip in customer satisfaction mirrors sluggish industry growth—year-to-date sales through July 2014 were up 5% compared with 8.4% through the same period of 2013.

The decline among automakers is widespread. Among 21 nameplates tracked by the ACSI, 80% lose ground in customer satisfaction, with only 10% improving and another 10% holding steady compared to a year ago. The domestic car industry overall falls to a five-year ACSI low, although the gap to imports actually narrows a bit because both Japanese and European nameplates decline even further. The two individual brands that improve are both domestic: Chevrolet (+4%) and Buick (+1%).

Historically, imports and luxury nameplates have dominated for customer satisfaction. Foreign-made autos still rank the highest and six of the seven above-average nameplates are imports. Luxury brands Mercedes-Benz, Lexus, and Buick join Subaru, Volkswagen, Toyota, and Honda in the top third of the industry, but Cadillac, BMW, Audi, and Acura are in the bottom third.

**Domestic and International Automobiles  
5-Year ACSI Trend**



For 2014, the top automakers in customer satisfaction are a mix of luxury and Japanese brands. Mercedes-Benz holds the lead despite a small drop to an ACSI score of 86, followed by Subaru at 85. Toyota’s Lexus brand slips for a second straight year, falling 3% to tie Volkswagen, which is unchanged at 84. Toyota and Honda also retreat 3% to tie Buick at 83, the only domestic car above industry average. A considerable investment in Buick appears to be paying off for General Motors. Sales are up 12.5% for the first half of the year—the largest increase for any GM car—led by a surge in sales for Buick Encore.

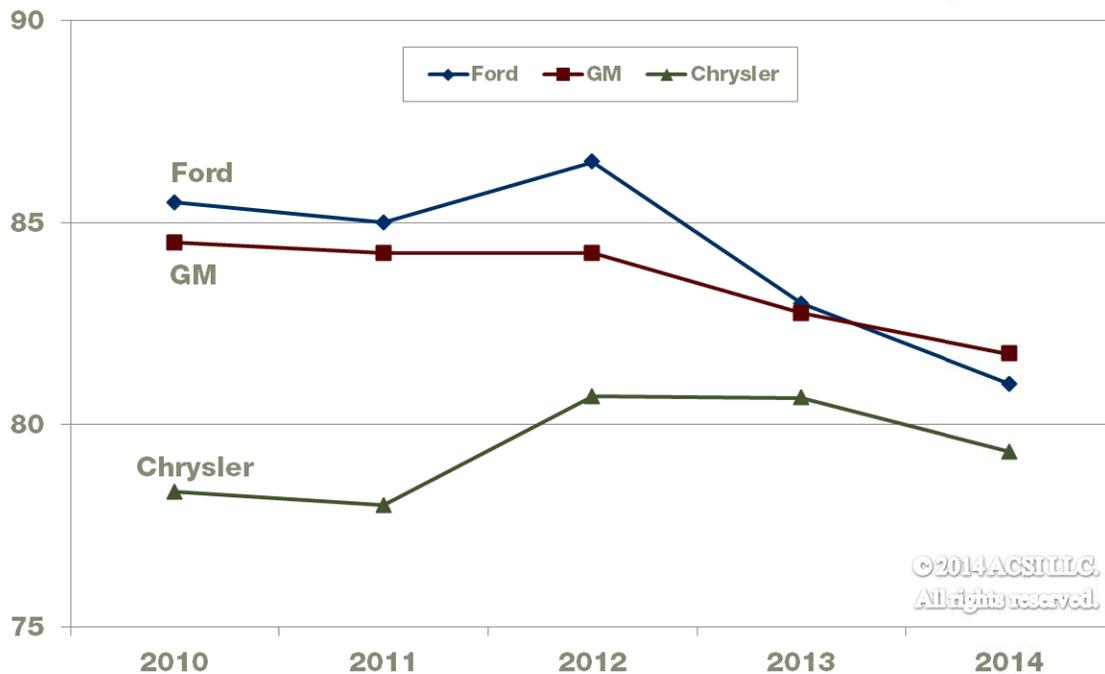
<b>Automobiles &amp; Light Vehicles ACSI Scores</b>			
<b>Company</b>	<b>2013</b>	<b>2014</b>	<b>% Change</b>
<b>Automobiles &amp; Light Vehicles</b>	<b>83</b>	<b>82</b>	<b>-1.2%</b>
Mercedes-Benz (Daimler)	88	86	-2%
Subaru	86	85	-1%
Lexus (Toyota)	87	84	-3%
Volkswagen	84	84	0%
Toyota (Toyota)	86	83	-3%
Honda	86	83	-3%
Buick (GM)	82	83	1%
GMC (GM)	85	82	-4%
Kia	82	82	0%
Chevrolet (GM)	79	82	4%
Ford (Ford)	83	81	-2%
Nissan	83	81	-2%
Chrysler (Chrysler)	83	81	-2%
Hyundai	82	81	-1%
All Others	81	81	0%
Cadillac (GM)	85	80	-6%
BMW	82	80	-2%
Mazda	82	80	-2%
Audi	NM	79	NA
Jeep (Chrysler)	80	79	-1%
Dodge (Chrysler)	79	78	-1%
Acura (Honda)	83	77	-7%

Most of the remaining autos come in at, or just below, industry average. GMC falls 4% to an ACSI score of 82, tying Chevrolet (+4%) and Kia (unchanged). Ford, Nissan, Hyundai, and Chrysler are next at 81. At 80, Mazda and BMW match Cadillac, which plummets 6% and joins Acura as the only luxury make with lower year-to-date sales compared with the same period in 2013.

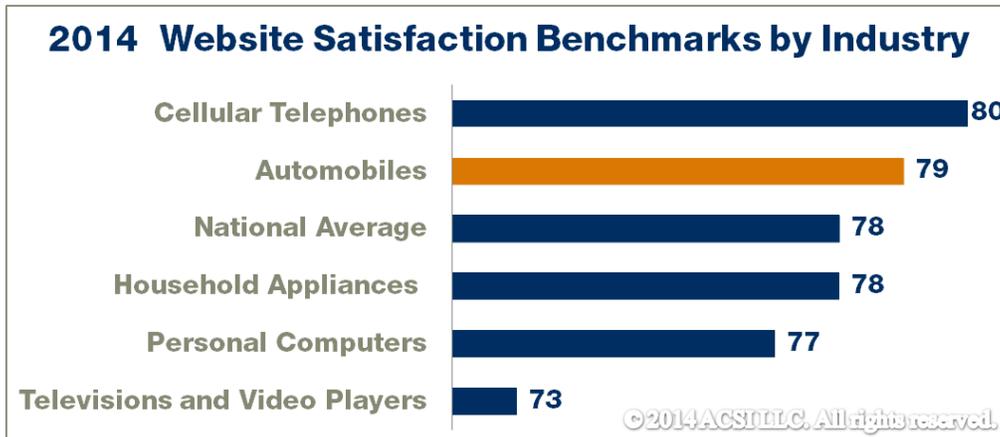
At the bottom of the ACSI ladder are two Chrysler brands (Jeep at 79 and Dodge at 78) and two imports (Audi at 79 and Acura at 77). For 2014, Honda's Acura nameplate plunges 7% to last place. Like Cadillac, sales of Acura are down for the year.

Considering domestic automakers only, all of Detroit's Big Three exhibit declines in overall customer satisfaction, but GM (82) now ranks above Ford (81), despite a record number of high-profile recalls. Meanwhile, Chrysler slips to 79. ACSI data show that frequent or widespread recalls usually contribute to customer dissatisfaction. Car owners who had at least one recall in the past year rate their vehicle 6% lower than those who did not experience a recall. In the case of GM, many of the recalls concerned older models, whereas ACSI tracks cars purchased within the past three years.

### Domestic Automakers 5-Year ACSI Trend



ACSI data also show that automaker websites are important sources of information for those shopping for new cars. Users rate automobile manufacturer websites a little better than the national average of 78 for all websites, and better than most other categories of durable products.



### About This Report

The *ACSI Automobile Report 2014* is based on interviews with 4,360 customers, chosen at random and contacted via telephone and email between April 22 and May 29, 2014. Customers are asked to evaluate their recent purchase and experiences with automobiles manufactured by the largest companies in terms of market share, plus an aggregate category consisting of “all other” and thus smaller auto nameplates.

The survey data are used as inputs to ACSI’s cause-and-effect econometric model, which estimates customer satisfaction as the result of the survey-measured inputs of customer expectations, perceptions of quality, and perceptions of value. The ACSI model, in turn, links customer satisfaction with the survey-measured outcomes of customer complaints and customer loyalty. ACSI subscribers receive confidential industry-competitive and best-in-class data on all modeled variables and customer experience benchmarks.

### Coming in September 2014

The ACSI will release its annual results for manufacturing durables in three industries: personal computers, major appliances, and televisions & video players. The ACSI will publish customer satisfaction benchmarks for the largest companies by market share in these industries.



## Appendix: ACSI Industry Scores

