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Mini-Tutorial

American Customer Satisfaction Index

Introduction:

The American Customer Satisfaction Index is a very useful tool for businesses in the competitive environment today. Although quality is not an order winner, it is an order qualifier, allowing businesses to effectively compete for customers. Customers demand that products and services meet their needs. Through the use of the ACSI, companies can evaluate their competitiveness within a particular industry, by measuring the level of customer satisfaction. Improvements in customer satisfaction, ultimately leads to retention of customers, profitability, and competitiveness.

American Customer Satisfaction Index (ACSI):

The Customer Satisfaction Index (ACSI) was established in 1994. It is a measure of customer satisfaction based on customer evaluations of the quality of goods and services produced in the U.S. It is a very important tool providing benchmarking for companies, industry trade associations, and government agencies. Benchmarking is the process of finding a company that is superior in a particular area, studying what it does, and gathering ideas for improving your own operations in that area (Foster, 2001). The ACSI is partnered with the the University of Michigan Business School, American Society for Quality (ASQ), and the international consulting firm, the CFI Group. The

ACSI is funded by companies who subscribe, and receive benchmarking data, for improving customer satisfaction.

The ACSI measures seven different sectors including; manufacturing durables, manufacturing non-durables, transportation/communication/utilities, retail, finance/insurance, services, and public administration/government. Over 190 companies in 35 different industries are measured, including e-commerce. The ACSI gathers data from customers through telephone interviews. Approximately 70,000 randomly selected customers are interviewed annually.

How to Use ACSI:

Investing in quality and customer satisfaction allows companies to create shareholder value. The American Customer Satisfaction Index is based on a model that link *customer expectations*, *perceived quality*, and *perceived value* to customer satisfaction. In return, customer satisfaction is then linked to *customer complaints* and *customer loyalty*.

Customer expectations, from a customer's perspective, is defined by how well the product or service will perform. Perceived quality asks the question, are the customer's needs met by the product or service? Perceived value is measured by price vs. quality and quality vs. price. Customer complaints describe, within a time frame, the percentage of customer complaints over the product or service. Customer retention is based on the question, will the customer purchase a product or service at different price levels? This indicator is key for an organization and its financial performance. For most companies, repeat customers are a major contributor to profit.

At a national level, ACSI scores companies on a scale of 0 to 100, and companies look at

their position within in their industry. The organization can then use their score or data to view customer loyalty, barriers to entry, return on investments, and find areas where customers are not being satisfied. Customer satisfaction is the reason customers continue to purchase a company's goods or services. According to the University of Michigan Business School, ACSI scores and earnings created within the company, are related. It stated that a satisfied customer is more profitable than a dissatisfied one. This is because when satisfaction decreases a customer is not as inclined to purchase a product or service, unless the prices are reduced. Also discussed in their research, when customer satisfaction is high, increases in prices are not as important.

Ultimately when customer satisfaction is achieved within the organization, profitability is created within their company and competitiveness within their industry.

Another important factor to consider is the benefit to the consumer. It gives them a voice for the products and services they consume, and quantifies the value customers place on these products or services. This is the driving factor for quality improvement.

Example Where ACSI is Used:

From 2001 to 2002, Kmart increased its customer satisfaction rating to a 74, a 10% increase from the previous year at 67. Even though it has filed for bankruptcy, the company has managed this increase, mainly due to price-cutting. Claes Fornell, director of the National Research Quality Center stated,

There is a tight link between customer satisfaction and consumer spending. As consumers perceive greater value and satisfaction with what they buy, they are more likely to spend more money.(Hilsenrath, 2002)

Another example of a company using the American Customer Satisfaction Index to improve their customer satisfaction was the United States Postal Service. Since the

survey began five years ago the USPS has been able to increase it's score to 72, an improvement of 18%. This is an increase greater than any company in the first quarter results in 2000. Overall the company has learned how to satisfy it's customers. To stay competitive with FedEx Corp. and UPS, USPS has realized what is important in this industry, and what the consumers want, on-time reliable service (Kulish, 2000).

Where to Get More Information About ACSI:

Ultimately customer satisfaction is the main reason customers continue to purchase a company's goods or services. Using the ACSI will help an organization to find areas within their company, where customers are not being satisfied. Customer satisfaction has been proven to be positively related to profitability, and when implemented, it will provide a way for survival and competitiveness within the marketplace.

If you would like to view more information about the American Customer Satisfaction Index (ACSI) please visit their website.

<http://www.theacsi.org>

Related references:

<http://www.wsj.com>

Hilsenrath, Jon E. "Retailers Kept Consumers Happy According to a Satisfaction Survey". The Wall Street Journal. 19 Feb, 2002

Kulish, Nicholas. "Postal Service is Satisfying its Customers". The Wall Street Journal. 5 May, 2000.

Foster, Thomas. Managing Quality. "An Integrative Approach". 2001.