

# ACSI

# American Customer Satisfaction Index<sup>®</sup>

## 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 300 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 several 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. At the macro level, customer satisfaction has been shown to be predictive of both consumer spending and GDP growth.

### Department & Discount

78 ▲ +5.4%

### Gas Stations

76 ▲ +1.3%

### Health & Personal Care

78 ▲ +6.8%

### Internet Retail

83 ▲ +3.8%

### Specialty Retail

80 ▲ +3.9%

### Supermarkets

78 ▲ +6.8%



February 28, 2017

## ACSI RETAIL REPORT 2016

INDUSTRY RESULTS FOR:

Department & Discount Stores

Specialty Retail Stores

Health & Personal Care Stores

Supermarkets

Internet Retail

Gas Stations

## Retail Customer Satisfaction Improves Across the Board

After two years of dwindling customer satisfaction for retailers, the American Customer Satisfaction Index (ACSI) shows a course reversal as the Retail Trade sector overall gains nearly 5% to a score of 78.3—an all-time high. The ACSI covers six retail industries: department and discount stores, gas stations, drug stores, specialty retail stores, supermarkets, and online retail.

All retail categories post year-over-year gains in customer satisfaction for the 2016 holiday shopping season despite weak sales performance for many big chains, especially department stores. E-commerce sales continue to grow at a pace that outstrips brick-and-mortar stores, while the latter faces declining foot traffic.

Paradoxically, however, emptier stores can have a positive effect on customer satisfaction. Fewer customers can lead to shorter lines, faster checkout, and more attention from the sales staff. But empty stores are not the only reason for the rise in customer satisfaction in 2016. Retailers also have made strides to improve the customer experience with omnichannel offerings. Moreover, better customer service, lower gasoline prices, and food price deflation are contributing to stronger customer satisfaction.

### DEPARTMENT AND DISCOUNT STORES

Customer satisfaction with department and discount stores is up 5.4% to an ACSI score of 78. Traditional mall outlets like Sears and Macy's are beset by competition from many fronts—including specialty stores such as Home Depot and Costco and superstores like Target—and all chains face mounting online competition. Visits to malls are down, but as the retail landscape continues to shift toward e-commerce, department stores are integrating online shopping with brick-and-mortar operations via in-store pickup and returns. This works to combine the convenience of online shopping with the benefit of personal service.

Dillard's takes first place among department stores with a 4% jump to an ACSI score of 83, a new high for the company. In second place, JCPenney gains 11% to 82 and posts the biggest improvement in the department and discount store category. Apparently, the reintroduction of appliances, new same-day pickup for online orders, and an overhaul of the JCPenney website and app have been successful. Like other big department stores, however, the company projects closing up to 140 properties as it continues to respond to changes in the retail landscape.

Nordstrom is the only department store to deteriorate in customer satisfaction during 2016, slipping 2% into a three-way tie with Dollar Tree and Belk at 80. A notch below, Kohl's, Macy's, Target, and the group of "all other" smaller chains improve to 79. Dollar General matches the industry average after a 5% boost to 78. Meijer inches up to equal Sears (+8%) at 77, followed by Ross at 76.

Walmart increases customer satisfaction by a hefty 9% in 2016. The company's renewed attention to customer service, including extra staff ("holiday helpers") to expedite checkout lines and help customers fill carts, seems to be paying off. In addition, the chain's click-and-collect service proved popular with holiday shoppers as same-day store pickup rose 27% over the prior year. Despite the ACSI gain, however, Walmart continues to anchor the low end of the industry with a score of 72.

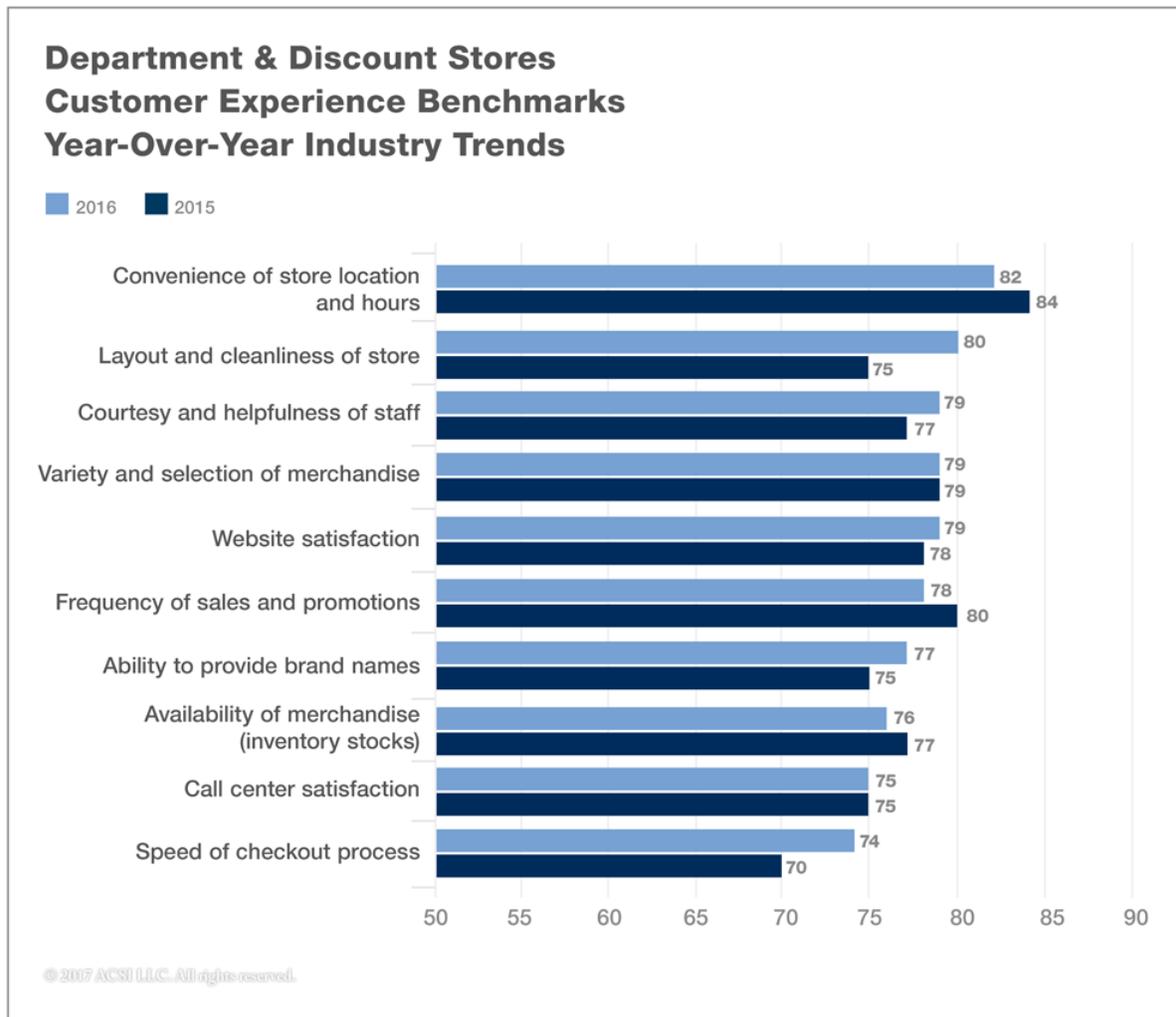
### ACSI: Department & Discount Stores

Company	2015	2016	% Change
<b>Department &amp; Discount Stores</b>	<b>74</b>	<b>78</b>	<b>5.4%</b>
Dillard's	80	83	4%
JCPenney	74	82	11%
Fred Meyer (Kroger)	79	81	3%
Belk	77	80	4%
Dollar Tree	76	80	5%
Nordstrom	82	80	-2%
All Others	77	79	3%
Kohl's	77	79	3%
Macy's	73	79	8%
Target	75	79	5%
Dollar General	74	78	5%
Meijer	76	77	1%
Sears	71	77	8%
Ross	74	76	3%
Walmart	66	72	9%

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As store closings continue, customers report that locations and hours are becoming somewhat less convenient across the industry (ACSI benchmark of 82, down from 84). While the number of outlets have contracted, shoppers feel that store layouts are much better compared to 2015 (up 7% to 80). Staff courtesy and helpfulness improve as well, climbing to a score of 79.

According to shoppers, sales and promotions are not as common as they used to be (78), but brand names are more readily available (77). With fewer customers to serve, the checkout process is faster (+6% to 74) although this remains the least satisfying part of the shopping experience.



## SPECIALTY RETAIL STORES

Customer satisfaction with retailers specializing in clothing, home improvement, electronics, office supplies, and books improves 3.9% to an ACSI score of 80. Costco leads with a 2% hike to 83, followed by Sam's Club, up 7% to 81. L Brands (unchanged) and Barnes & Noble (up 3%) also come in at 81, just above the combined score for smaller specialty retailers (80).

Home Depot surges 10% to 80, ahead of rival Lowe's (+7% to 79) for the first time, as well as Menards (+1% to 79). Home Depot also increased revenues over the last year. Home Depot's improvement seems to be a result, in part, of its successful integration of e-commerce with physical stores. More than 40% of online orders are picked up in-store, where customers can see demos and get advice from staff as they receive their items.

**ACSI: Specialty Retail Stores**

Company	2015	2016	% Change
<b>Specialty Retail Stores</b>	<b>77</b>	<b>80</b>	<b>3.9%</b>
Costco	81	83	2%
Barnes & Noble	79	81	3%
L Brands (Victoria's Secret, Bath & Body Works)	81	81	0%
Sam's Club	76	81	7%
All Others	78	80	3%
AutoZone	75	80	7%
GameStop	78	80	3%
Home Depot	73	80	10%
Staples	75	80	7%
TJX	78	80	3%
Advance Auto Parts	72	79	10%
Bed Bath & Beyond	75	79	5%
BJ's Wholesale Club	76	79	4%
Burlington	76	79	4%
DICK'S Sporting Goods	NM	79	NA
Gap	75	79	5%
Lowe's	74	79	7%
Menards	78	79	1%
Office Depot	NM	79	NA
Ascena (Ann Taylor, maurices, Justice)	NM	78	NA
Petco	76	78	3%
PetSmart	77	78	1%
Best Buy	74	77	4%
Big Lots	74	77	4%
Toys "R" Us	75	77	3%
Abercrombie & Fitch	65	76	17%

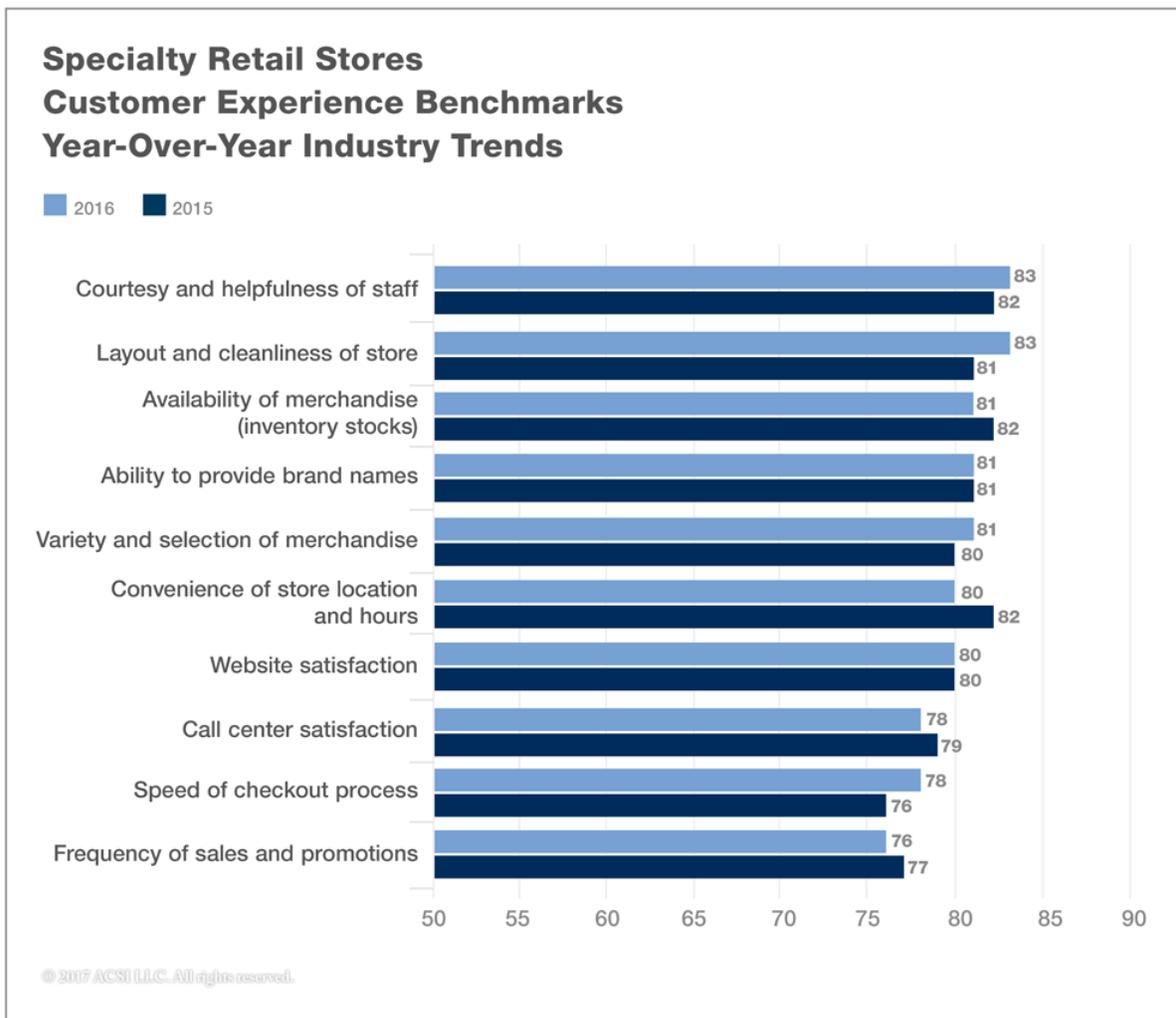
NM=Not Measured  
NA=Not Available

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AutoZone and Staples join Home Depot at 80, each by way of 7% boosts in ACSI. Two more chains, TJX and GameStop, gain 3% to cluster at 80. Along with Lowe's and Menards, several retailers are deadlocked just below average at 79: Advance Auto Parts (+10%), Bed Bath and Beyond (+5%), BJ's Wholesale Club (+4%), Burlington (+4%), ACSI newcomer DICK'S Sporting Goods, Gap (+5%), and Office Depot.

Ascena, which recently acquired Ann Taylor, enters the ACSI with a score of 78. The company ties with two pet supply stores, Petco and PetSmart, both of which improve in 2016. Best Buy, Big Lots, and Toys “R” Us follow at 77. Abercrombie & Fitch makes a giant leap from 65 to 76, but remains the lowest-scoring retailer.

According to shoppers, store layouts have improved (83), and staff are courteous and helpful (83). The convenience of location and hours ebbs slightly amid a wave of store closings, but website satisfaction remains high (80). With fewer customers in line, checkout is faster (+3% to 78), but shoppers feel that sales promotions are not quite as frequent (-1% to 76).



## HEALTH AND PERSONAL CARE STORES

Customer satisfaction with drug stores rises 6.8% to an ACSI score of 78. With only the most loyal of customers left, Kmart pharmacy (Sears) leads at 84. Albertsons Companies, which includes Safeway, comes in second place with a score of 83. In 2015, Safeway alone had a low ACSI score of 69, but customer satisfaction now soars by 20% as the merged company hits its stride.

The combined score of other, smaller drug stores is 82, a 9% improvement from a year ago. Kroger remains at 81, while Target is the only pharmacy to decline, slipping 1% to 79 and staying just above the industry average. Rite Aid improves 13% to 78, followed by CVS, Walgreens, and Walmart in a three-way tie at the bottom of the category (76).

### ACSI: Health & Personal Care Stores

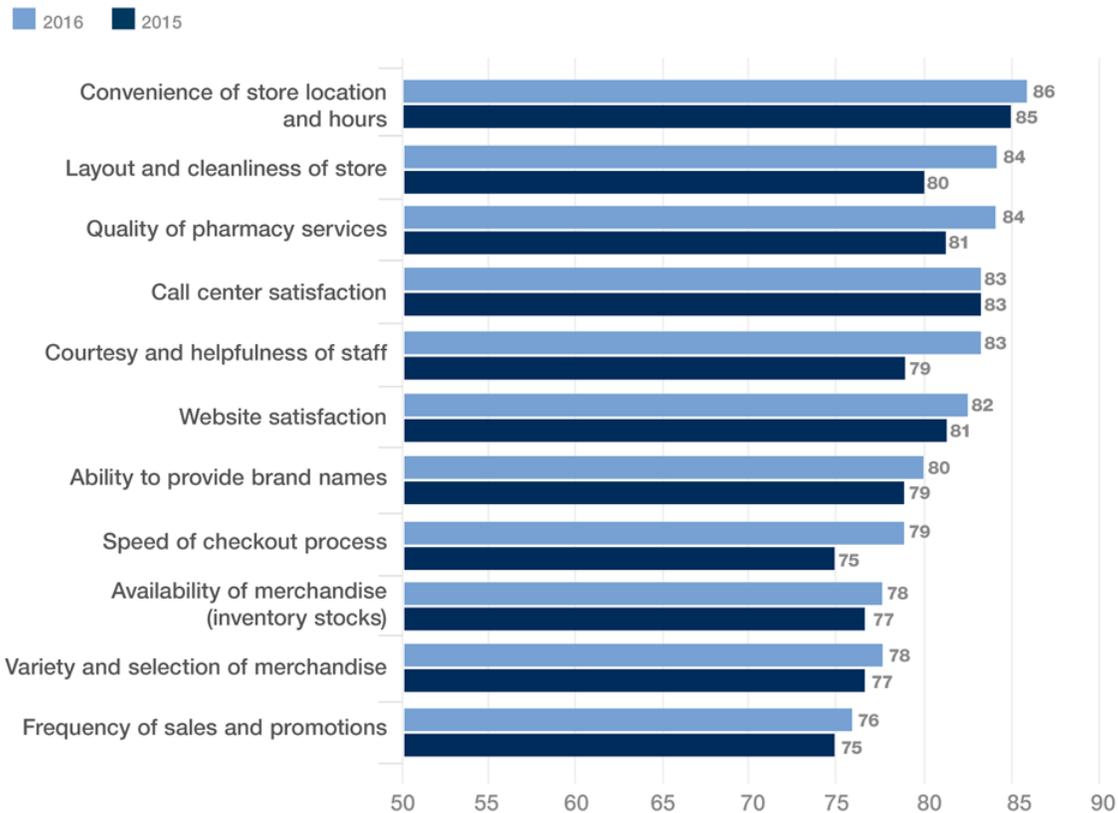
Company	2015	2016	% Change
<b>Health &amp; Personal Care Stores</b>	<b>73</b>	<b>78</b>	<b>6.8%</b>
Kmart (Sears)	76	84	11%
Albertsons Companies	69	83	20%
All Others	75	82	9%
Kroger	81	81	0%
Target	80	79	-1%
Rite Aid	69	78	13%
CVS	71	76	7%
Walgreens	74	76	3%
Walmart	68	76	12%

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Shoppers continue to appreciate the convenience of the locations and operating hours of health and personal care stores. With an ACSI benchmark of 86, drug stores beat other brick-and-mortar retailers on this measure. As with other retail categories, the industry improves its store layout and cleanliness in 2016 (up 5% to 84).

The quality of pharmacy services also is higher in 2016 (rising 4% to 84). According to customers, staff are more courteous and helpful than they were a year ago, and the checkout process is faster (both up 5% to 83 and 79, respectively). Customers crave more sales and promotions as they still rate this feature at the low end, although there is slight improvement (+1% to 76).

### Health & Personal Care Stores Customer Experience Benchmarks Year-Over-Year Industry Trends



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## SUPERMARKETS

Supermarkets enjoy stronger customer satisfaction, with the industry's ACSI score up 6.8% to 78. Falling food prices—combined with higher quality and better service—have boosted scores nearly across the board. While consumers appreciate quality, they remain price-conscious. As supermarkets expand organic offerings at competitive prices, customer satisfaction improves.

Trader Joe's takes the top spot with a 4% rise to 86. The new customer favorite had just 300 stores in 2013 and now has 460. Publix improves 2% to 84, followed by ALDI, H-E-B, and Wegmans at 83. Wegmans is the only supermarket to slip, but the chain stays well above the industry average.

Whole Foods jumps 11% to 81, pulling ahead of Hy-Vee, Kroger, ShopRite, and the group of smaller grocery stores (all 79). Meijer climbs 5% and Target pushes up 10% to match the industry average (both 78).

Southeastern Grocers (which includes BI-LO, Harveys, Winn-Dixie, and Fresco y Mas) improves customer satisfaction by 4%, but remains just below the average at 77. The newly merged Ahold Delhaize scores 76 and ties with SUPERVALU. Albertsons Companies posts a score of 75—far below its performance in the drug store industry.

Aggressive pricing by Walmart and Giant Eagle results in 10% gains for each, but the chains remain in a tie at 74. Walmart's focus on upping the quality of its customer service during the holiday season may be helping boost its scores across the supermarket, drug store, and department and discount categories.

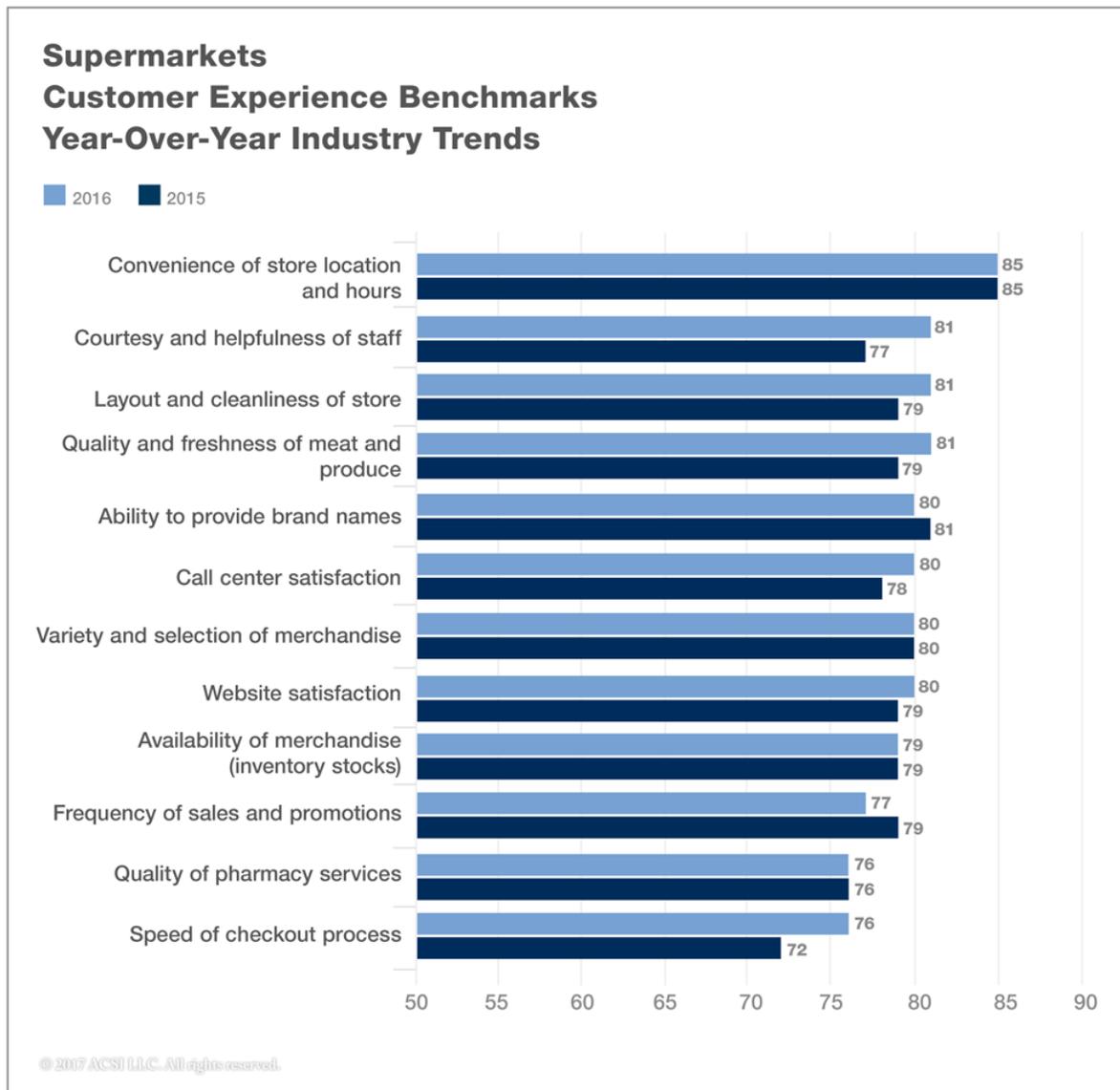
### ACSI: Supermarkets

Company	2015	2016	% Change
<b>Supermarkets</b>	<b>73</b>	<b>78</b>	<b>6.8%</b>
Trader Joe's	83	86	4%
Publix	82	84	2%
ALDI	81	83	2%
H-E-B	82	83	1%
Wegmans	86	83	-3%
Whole Foods	73	81	11%
All Others	77	79	3%
Hy-Vee	78	79	1%
Kroger	76	79	4%
ShopRite	75	79	5%
Meijer	74	78	5%
Target	71	78	10%
Southeastern Grocers	74	77	4%
Ahold Delhaize (Food Lion, Stop & Shop, Hannaford)	NM	76	NA
SUPERVALU	71	76	7%
Albertsons Companies	68	75	10%
Giant Eagle	67	74	10%
Walmart	67	74	10%

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Location and hours are critical to the supermarket business and continue to rate well with customers (85). Most elements of the shopping experience see little change, with a few exceptions. Staff courtesy and helpfulness is improved, along with store layout and cleanliness (both 81). Shoppers also report that the quality of food is better (81) despite brand names being less available (80), as many chains offer good-quality store-branded items. The one aspect that causes most customer frustration is the checkout process, but it also has improved considerably (+6% to 76).



## INTERNET RETAIL

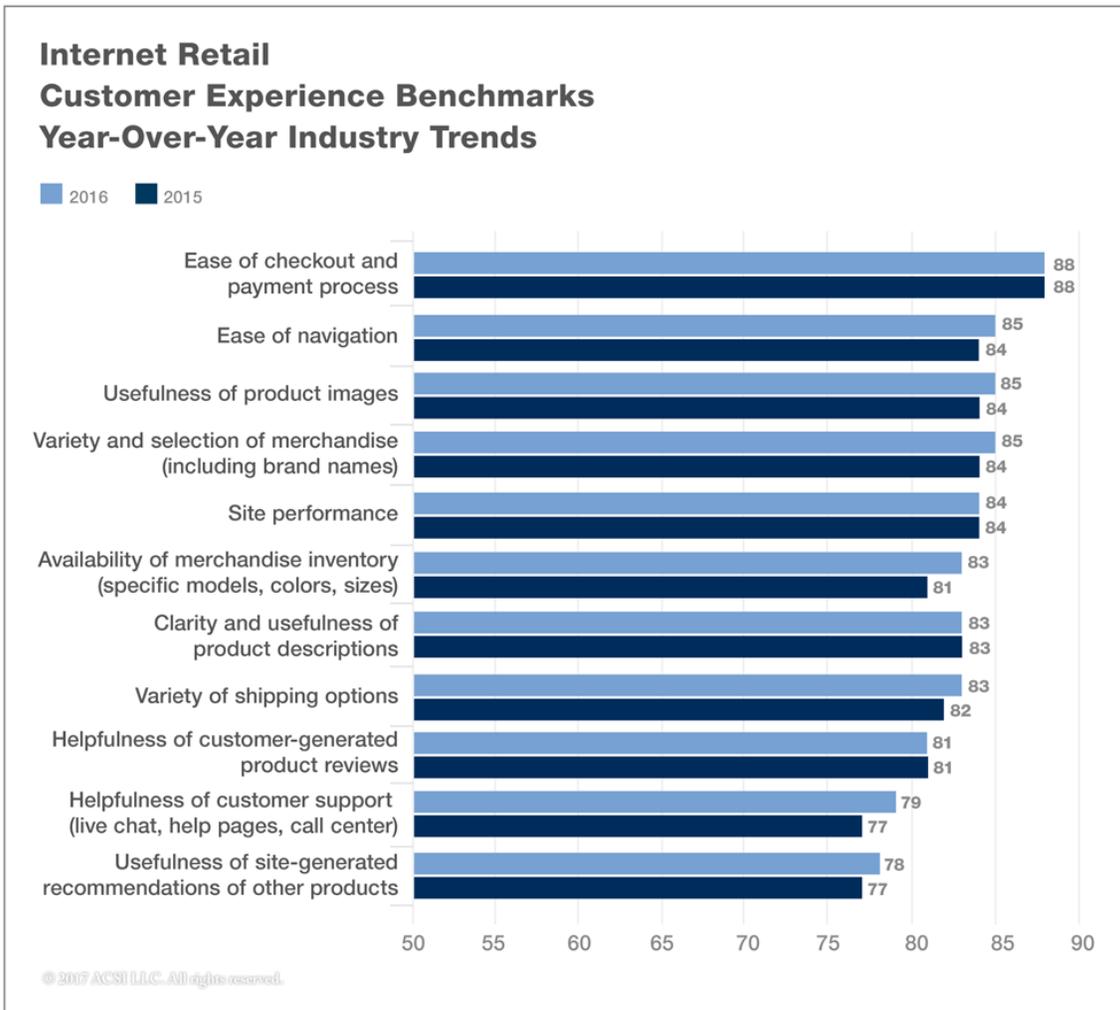
With a 3.8% gain in customer satisfaction, online retail leads the sector with a score of 83. The internet is now the preferred place to shop, and Amazon continues its leadership, capturing the majority of online sales growth in the United States. Amazon's ACSI score advances by 4% to 86 amid a strong holiday season.

Company	2015	2016	% Change
<b>Internet Retail</b>	<b>80</b>	<b>83</b>	<b>3.8%</b>
Amazon	83	86	4%
Newegg	79	83	5%
All Others	80	82	2%
eBay	75	81	8%
Netflix	76	79	4%
Overstock	73	79	8%

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Tech-focused Newegg increases 5% to 83, and eBay is up 8% to 81. Netflix registers a 4% increase to 79, alongside Overstock, which jumps 8%.

The ease of payment (88) and steady improvements to navigation, product images, and variety of merchandise (all 85) keep shoppers very happy with e-commerce websites. Merchandise is rarely out-of-stock and there are numerous shipping options available to suit each individual buyer (both 83).



## GASOLINE SERVICE STATIONS

Customer satisfaction with gasoline service stations edges up 1.3% to 76, adding to a larger gain from 2015. Compared with other categories of retail, the utility a buyer gets from gasoline is more dependent on price. Two years of lower prices at the pump have boosted satisfaction upward for the industry.

### ACSI: Gasoline Stations

Company	2015	2016	% Change
Gasoline Stations	75	76	1.3%

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## ABOUT THIS REPORT

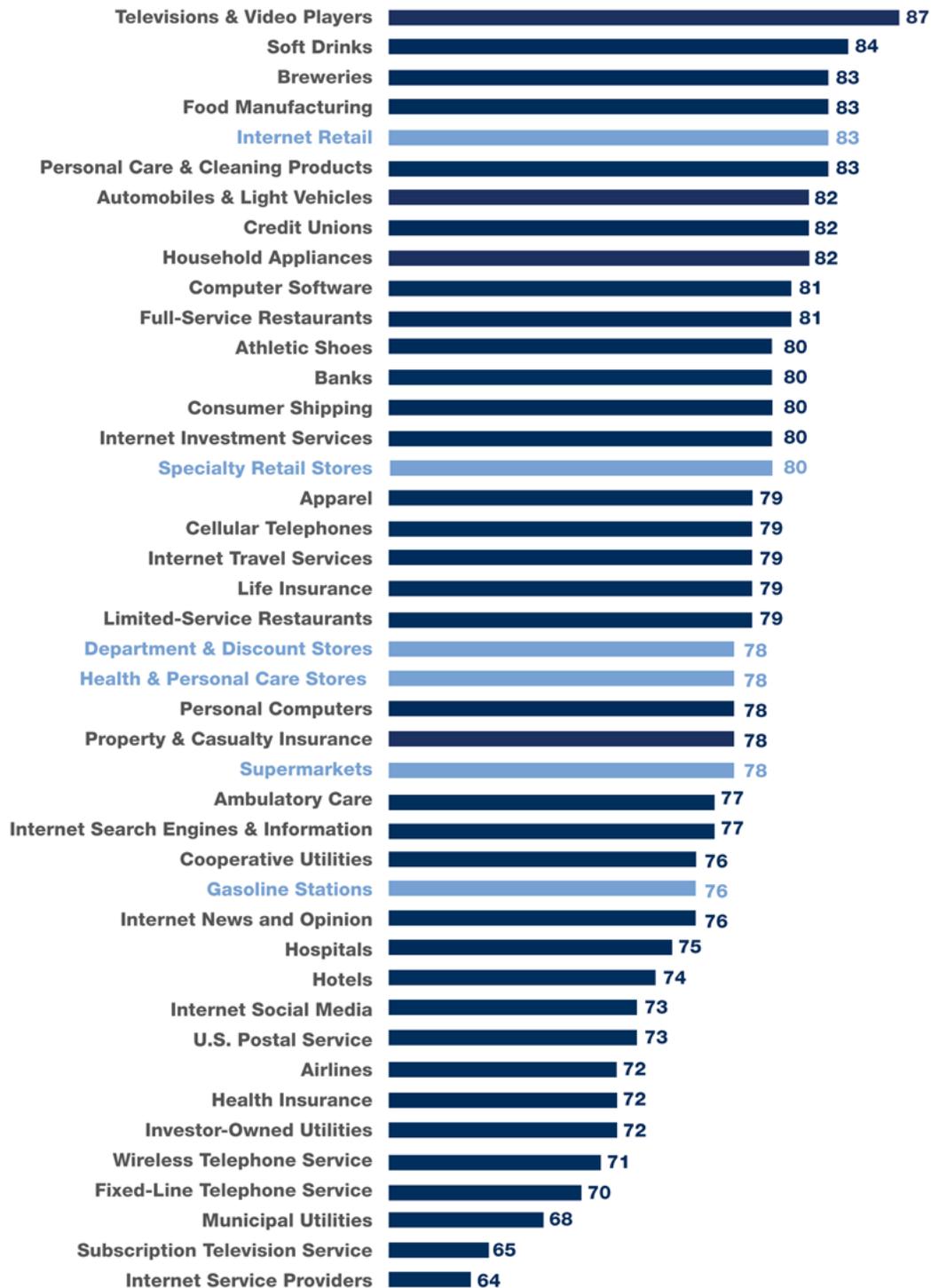
The *ACSI Retail Report 2016* on department and discount stores, specialty retailers, drug stores, supermarkets, gas stations, and internet retail is based on interviews with 12,515 customers, chosen at random and contacted via email between November 15 and December 19, 2016. Customers are asked to evaluate their recent experiences with the largest brick-and-mortar and online retailers in terms of market share, plus an aggregate category consisting of “all other”—and thus smaller—companies in these industries.

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 clients receive confidential industry-competitive and best-in-class data on all modeled variables and customer experience benchmarks.

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## Customer Satisfaction Benchmarks by Industry



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