

# ACSI

American Customer Satisfaction Index™



## **Citizen Satisfaction: Public Sector and Performance Management**

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American Customer Satisfaction Index (ACSI)

San Juan, Puerto Rico,

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# **1. ACSI Citizen Satisfaction Overview**

# Snapshot of ACSI



- Established in 1994, ACSI is the only standardized measure of customer satisfaction in the U.S. economy, covering more than 235 companies in 45 industries and 10 economic sectors
- In the aggregate, ACSI represents a quarterly measure of the national economy's health, complementary to measures such as inflation, productivity, and unemployment
- 100+ departments, agencies, programs and websites of the U.S. Federal government also measured on an annual basis
- Results from all surveys are published quarterly in various media and on the ACSI website, [www.theacsi.org](http://www.theacsi.org)

# ACSI and Citizen Satisfaction



- ACSI has measured satisfaction with government since the project's inception in 1994
  - Internal Revenue Service and core local government services (police, waste disposal) first measured in 1994
- In 1999, ACSI was chosen as the “gold standard” measure of citizen satisfaction by the Federal government
  - ACSI was tasked with measuring 30 “high impact” Federal agencies in 1999 and 2000, reflecting the vast majority of citizen interactions with government
- Although now relying on optional agency buy-in, participation in the ACSI study has grown significantly since 1999

# Why Measure Satisfaction with Government?

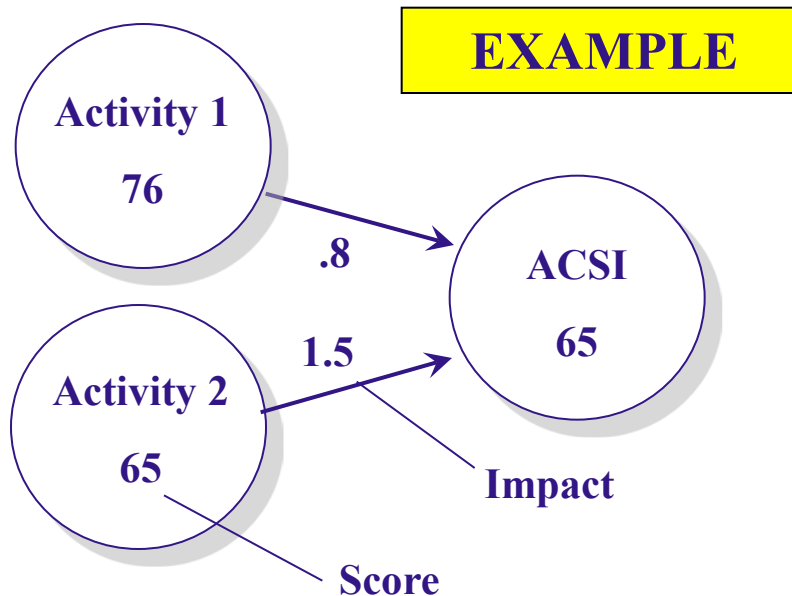


## 2. ACSI Methodology

- In the ACSI Model, Customer Satisfaction (ACSI) is embedded in a system of “cause-and-effect” or “structural” relationships
- All of the variables in the ACSI Model are measured using multiple indicators (survey questions), increasing their precision and reliability
- The central objective of the model is to explain what influences ACSI, and in turn what is influenced by ACSI

# ACSI Methodology

- A **component score** is a weighted average of a set of attributes, or survey questions, comprising a component or activity. Responses to survey questions are given on a 1-10 scale, which are then converted to a 0-100 scale for score reporting.
- An **impact**, on the other hand, predicts the increase in satisfaction that would result from a 5-point increase in a component score.
- Areas for improvement are those components or activities with a **relatively low score** and a **relatively high impact** on satisfaction.

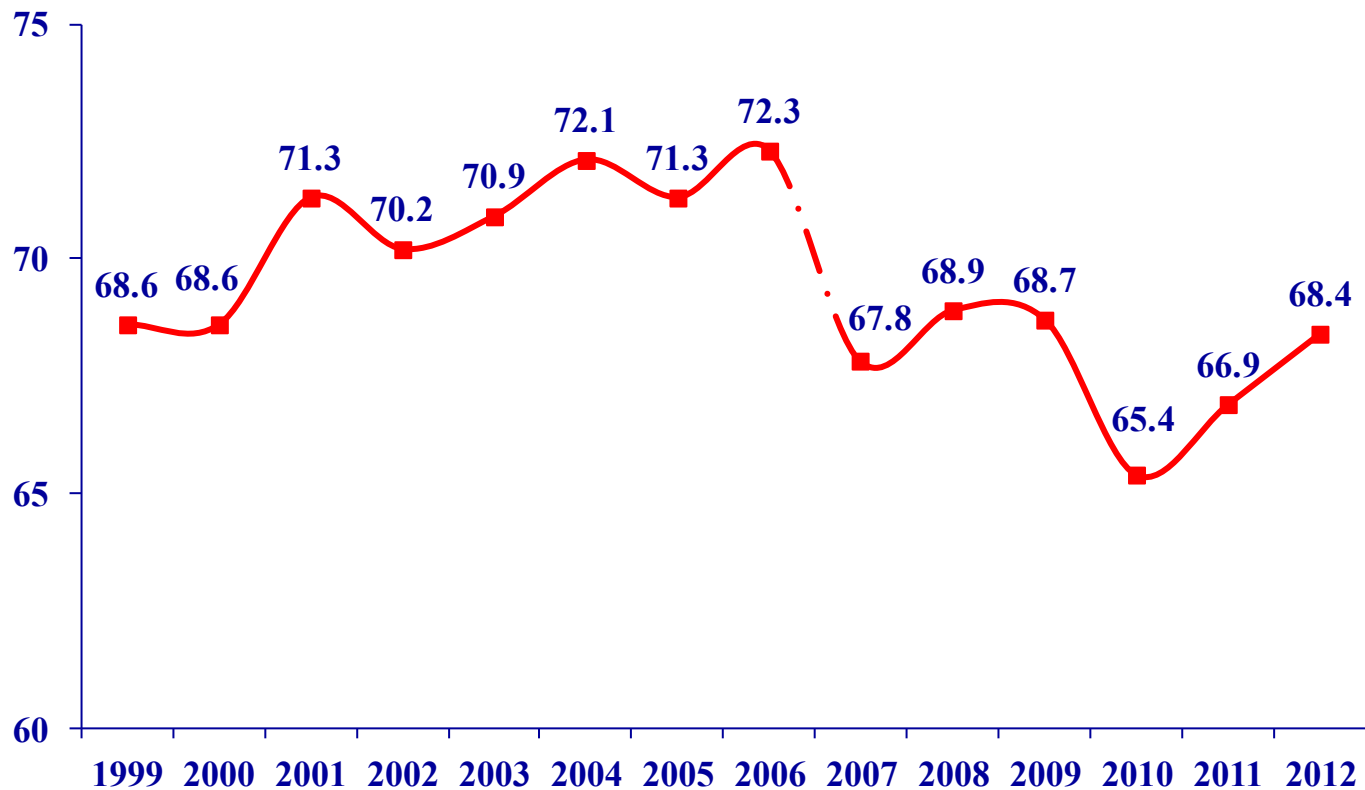


In the simplified example shown here, Activity 2 would be a key action area due to its relatively low score and high impact.



## **3. 2012 ACSI Results and Findings**

# Aggregate Federal Government Satisfaction, 1999-2012\*



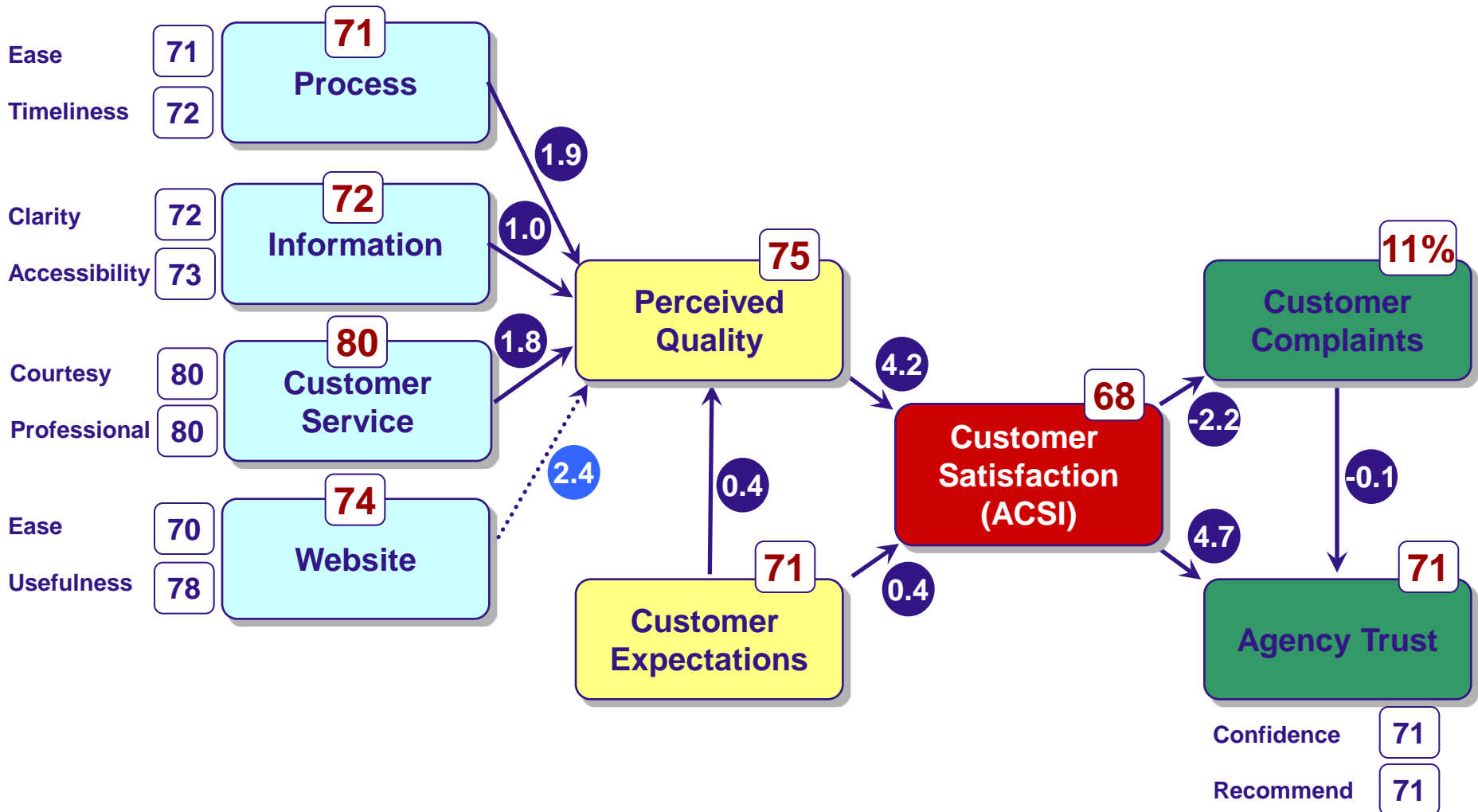
\*A sampling methodology change in 2007 limits comparability to prior years. Year-to-year trending is recommended.

# Satisfaction Gains 2011 to 2012



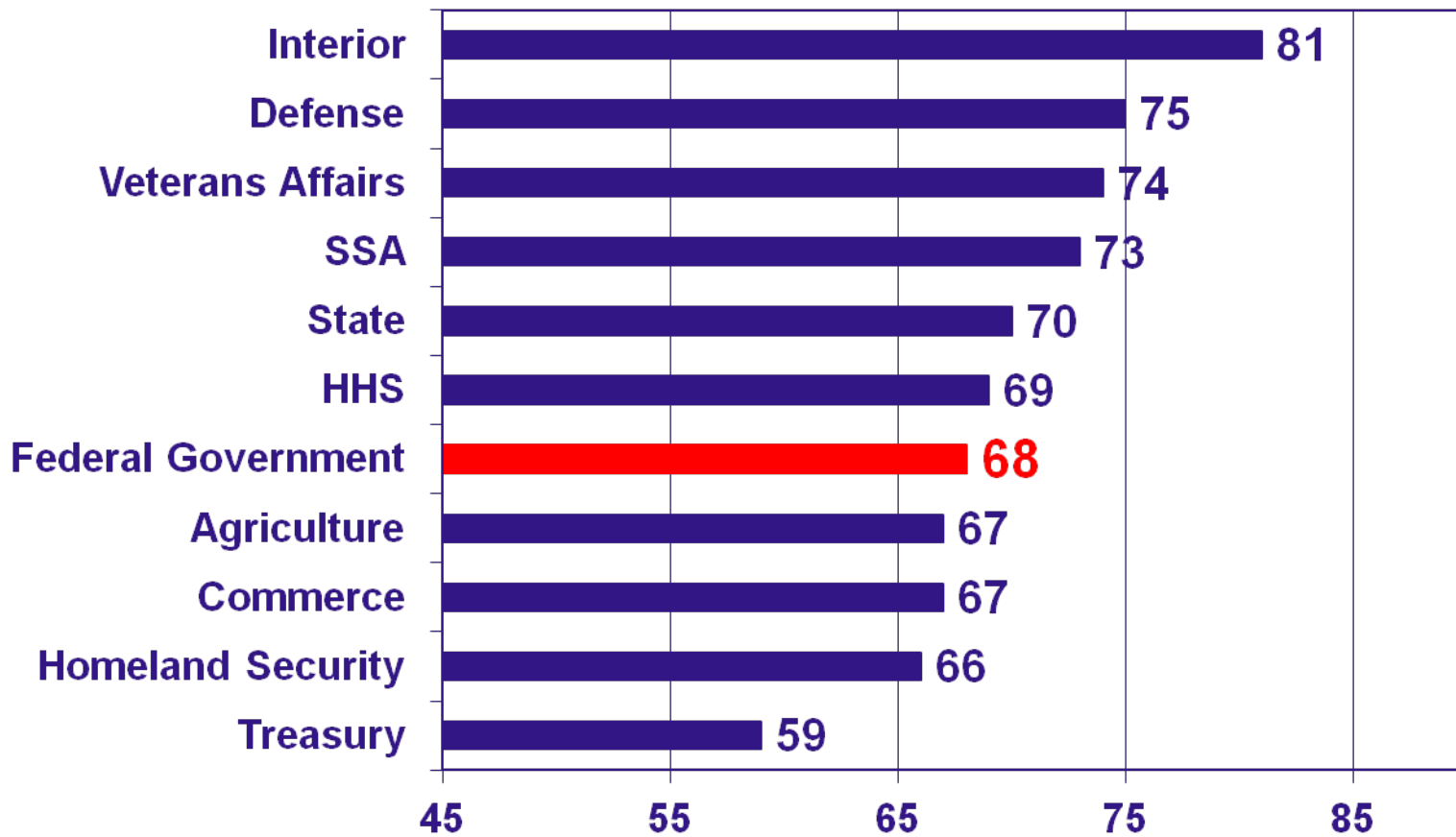
- Year-on-year, the Federal Government ACSI score **increased significantly, up 1.5 points** from 2011, a gain of 2.2%
- This is the second consecutive annual gain for the Federal government ACSI, which is **up 3.0 points since 2010, a total gain of 4.6%**

# 2012 Federal Government ACSI Model

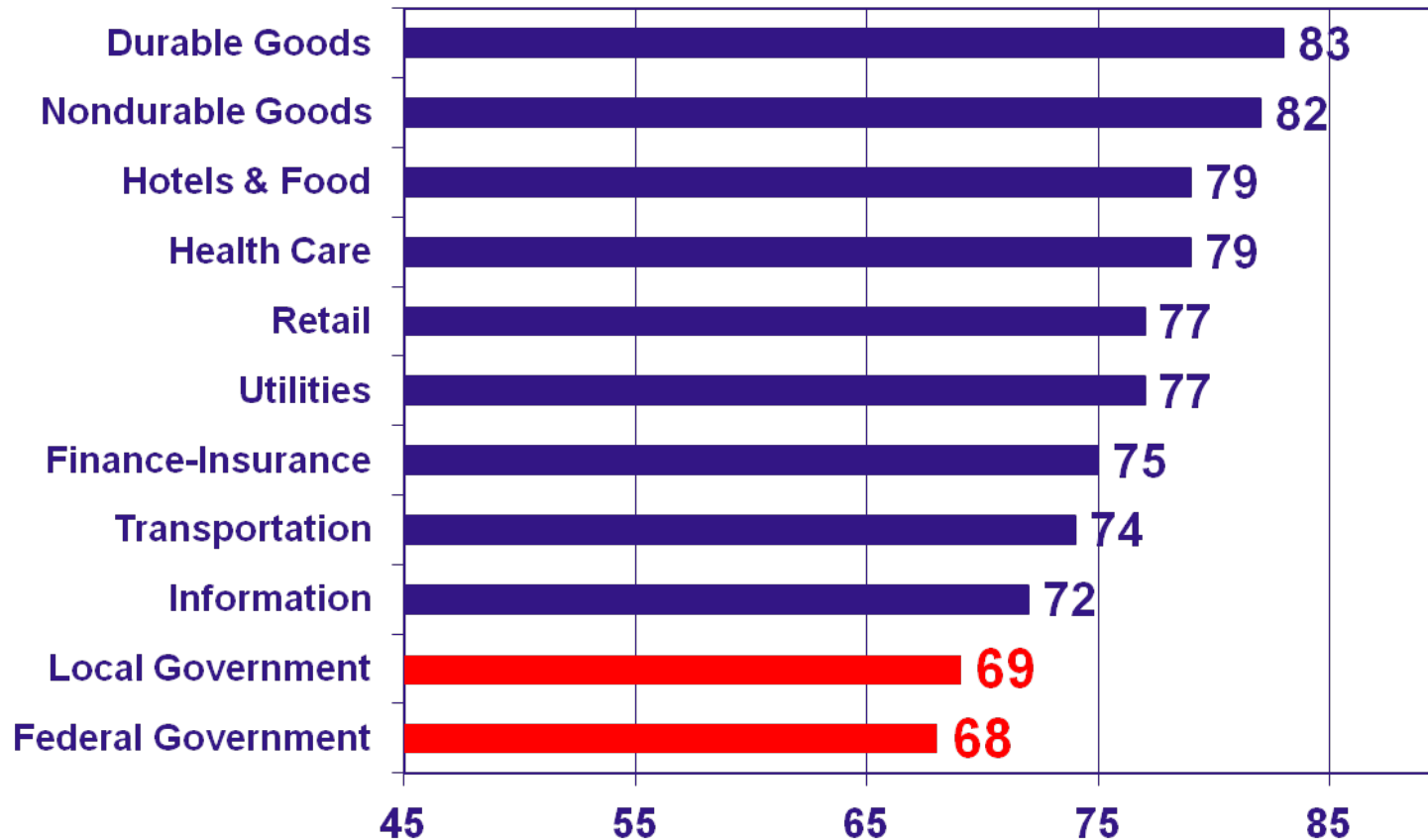


*N = 1376; 90% Confidence Interval = 1.2*

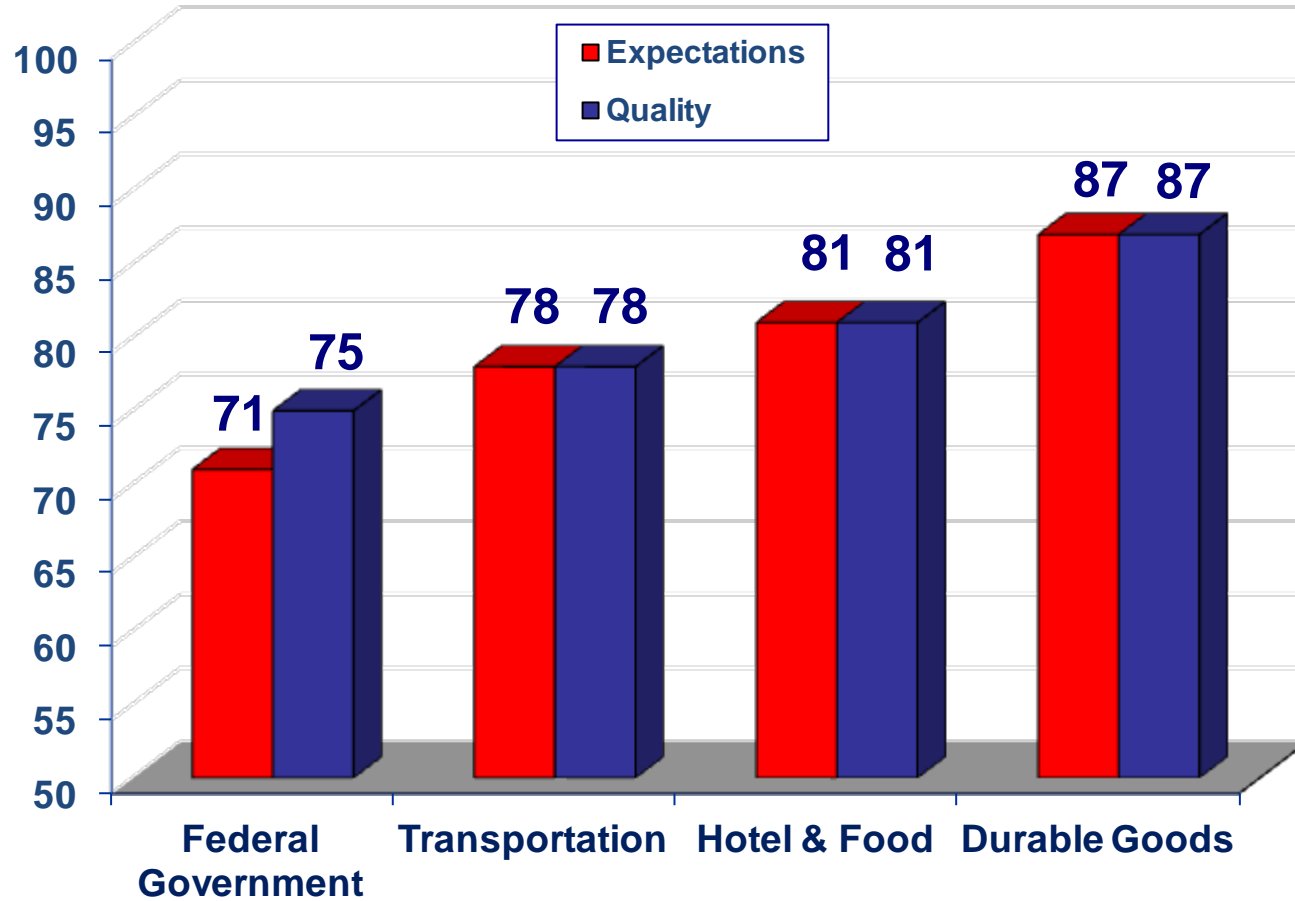
# Citizen Satisfaction by Federal Department



# Public and Private Sector Comparisons



# The Expectations-Quality Gap



# Switching Barriers and Satisfaction

Soft Drinks	84
Automobiles	84
Beer	81
Appliances	81
Personal Computers	80
Banks	77
Wireless Service	70
<b>Local Government</b>	<b>69</b>
<b>Federal Government</b>	<b>68</b>
Airlines	67
Cable/Satellite TV	66



**Switching Barriers/  
Monopoly Power**

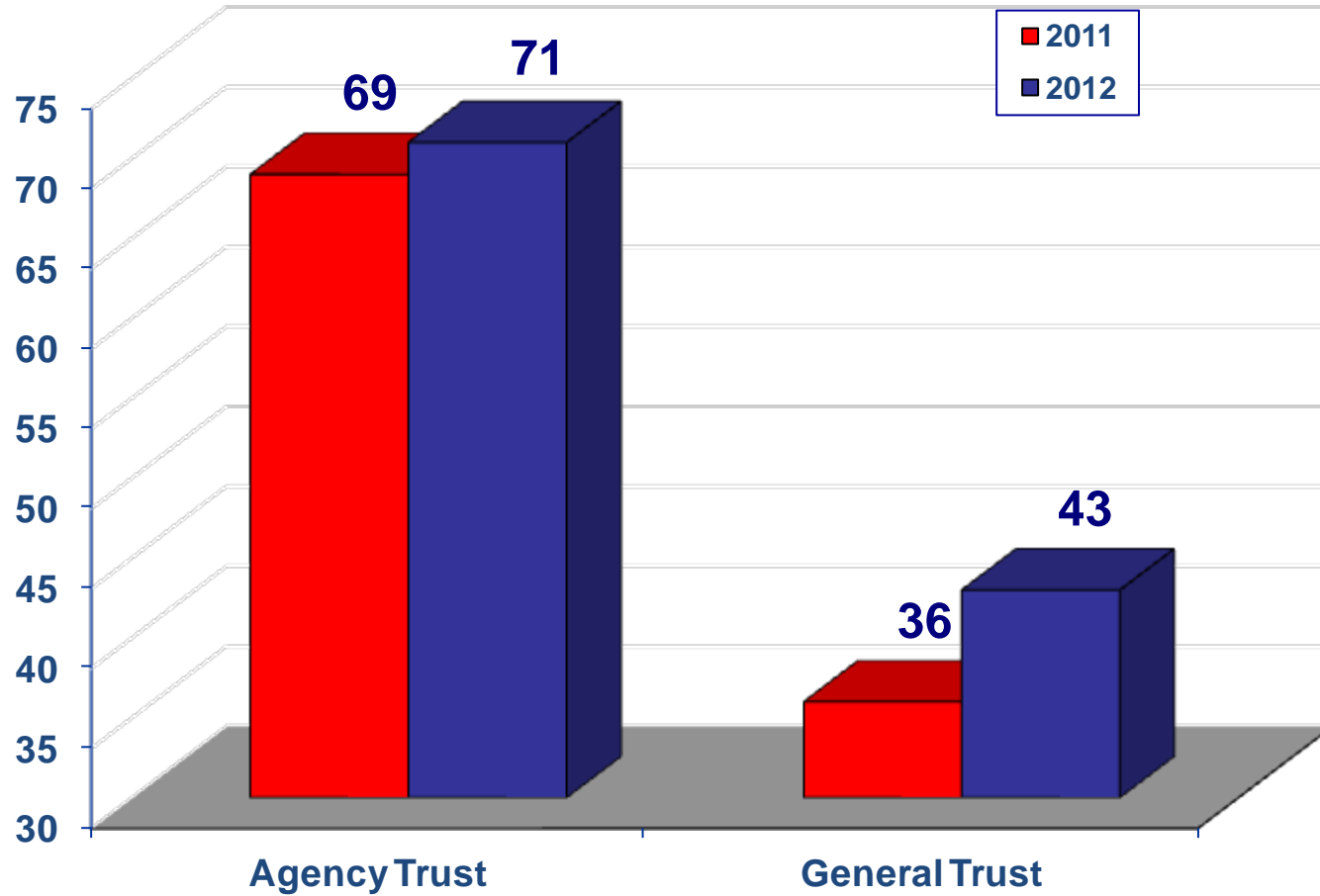


# Agency and Diffuse Trust

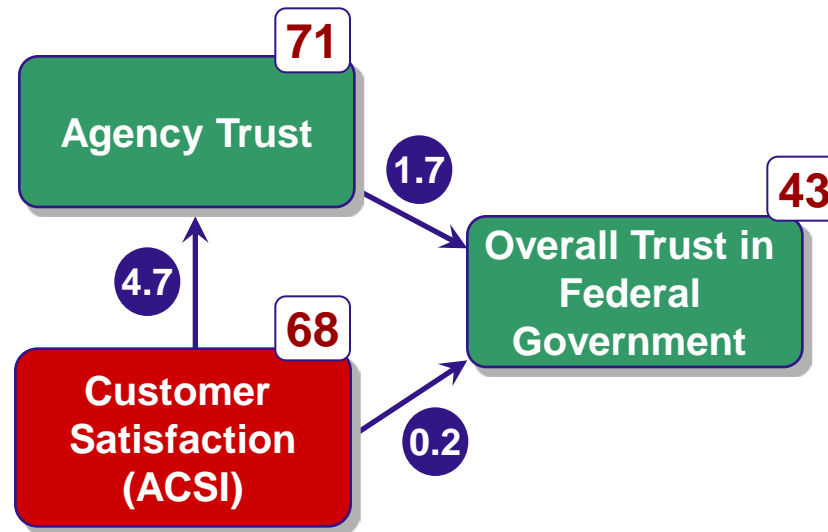


- ACSI measures both **agency trust** (confidence in the agency experienced), and **generalized trust** (trust in the Federal government as a whole)
- Similar to results found in other studies, trust in Washington D.C. scores far lower than trust in individual agencies experienced
- This year, both trust in Washington D.C. and trust in the performance of particular agencies increased significantly

# Agency and General Trust



# Agency and Diffuse Trust



- These results show that while satisfaction with an agency experience drives overall trust in the government only slightly, it has a strong effect through agency trust
  - In other words, agencies that offer a more satisfying experience will **build trust in their agency**, but also help build (or rebuild) **general trust in the entire Federal government** among American citizens

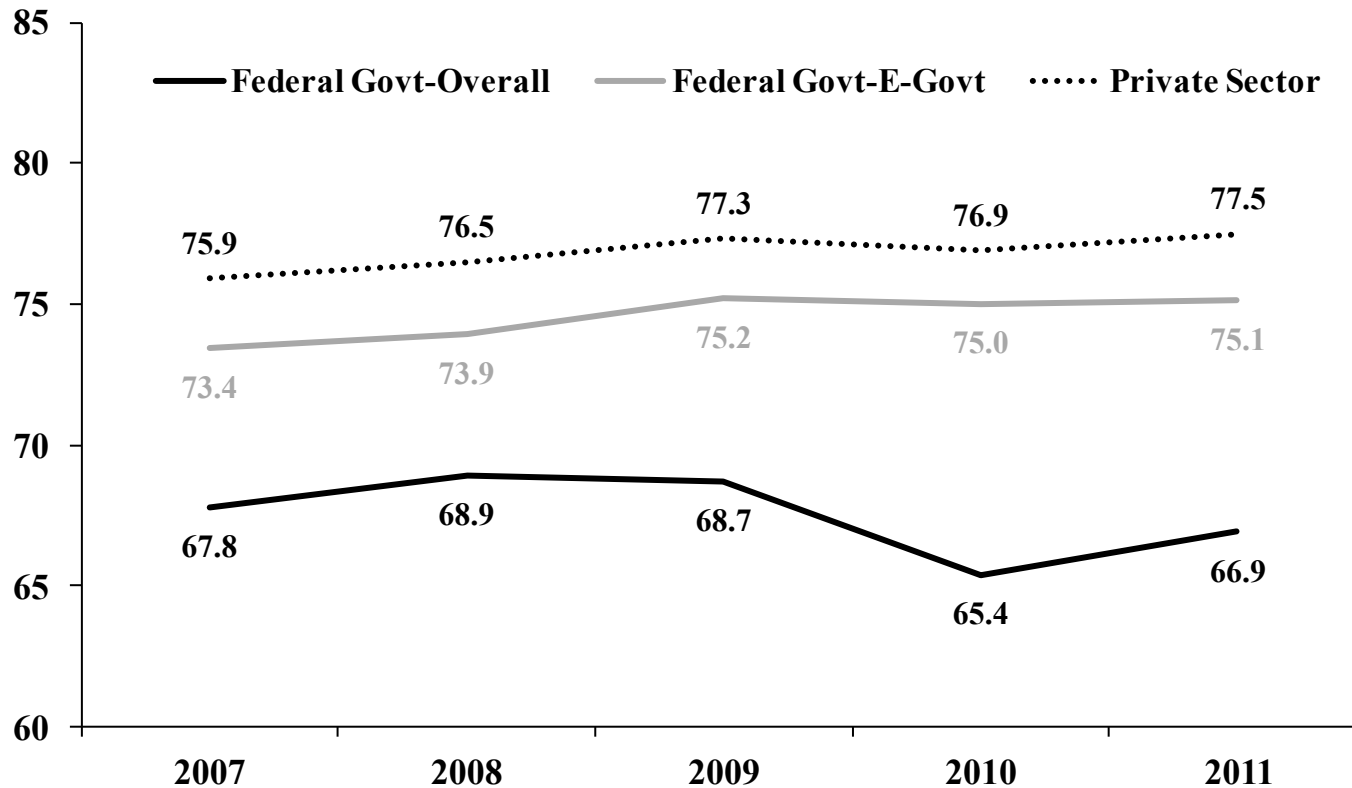
## 4. E-Government

# Is E-Government the Solution?



- It is widely agreed that government, and especially the federal government, offers poor service when compared to the private sector
- Many policymakers believe **e-government** – where government services are delivered using new information technologies - holds considerable potential for positively transforming government service delivery
  - Through legislation like the “E-Government Act,” the federal government is working to move as many of its services to the Internet as possible, and as quickly as possible

# Is E-Government the Solution?



# Is E-Government the Solution?



- Federal e-government comes much closer to matching the performance of the private sector than does the federal government as a whole
- The average annual gap between private sector and federal e-government Web sites is just over two points on the 0-100 scale, while the gap between the private sector and federal government overall averages more than 9 points

# Is E-Government the Solution?



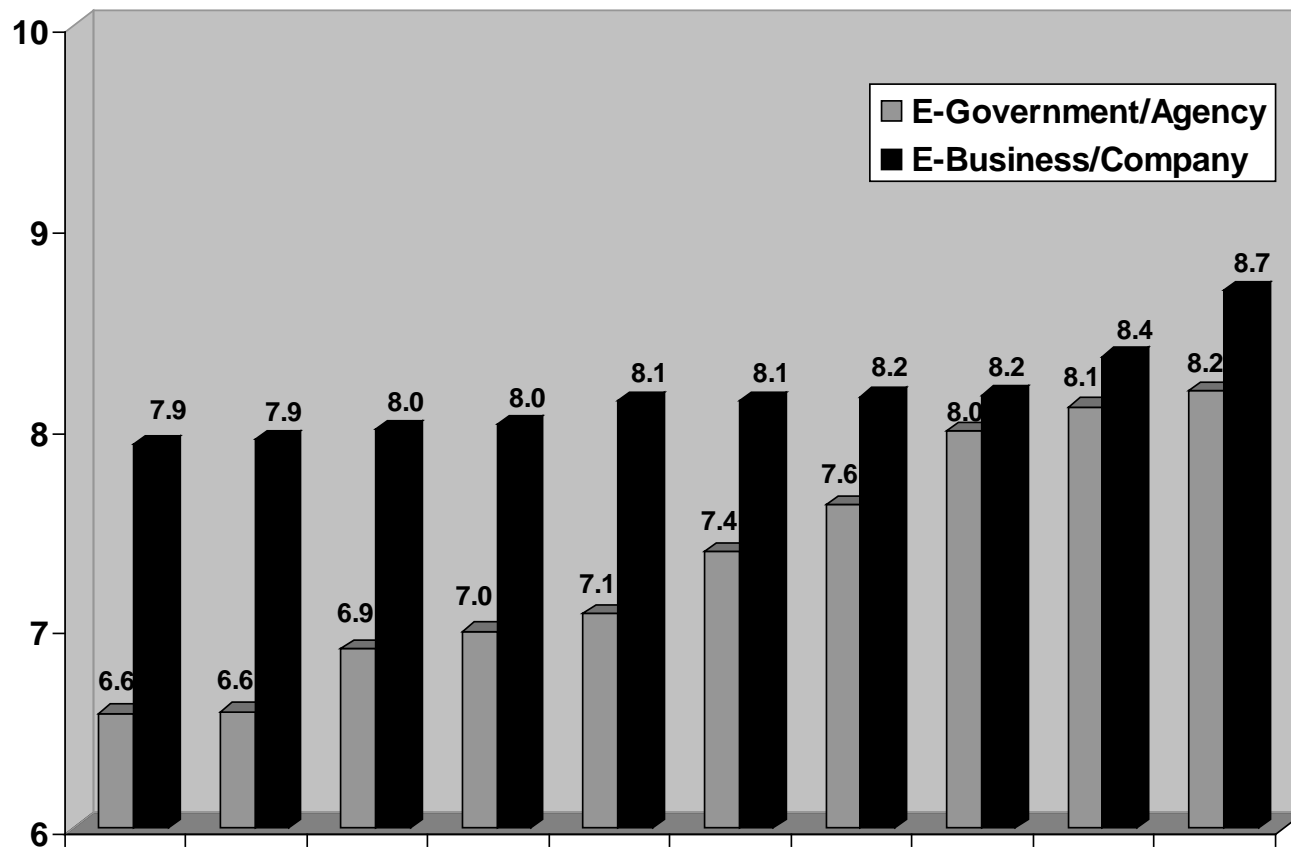
- However, some recent research calls into question the quality of services provided by federal e-government (Morgeson & Mithas 2009)\*
- This research, using ACSI data for federal websites and comparing them to e-business websites, shows both lower satisfaction and significantly greater variability across federal websites
  - While e-government may be somewhat better than “off-line” government services, it is still well behind the private sector

\*Morgeson, Forrest and Sunil Mithas (2009). “Does E-Government Measure up to E-Business? Comparing End-User Perceptions of U.S. Federal Government and E-Business Websites.” *Public Administration Review*, 69 (4).



# Is E-Government the Solution?

The range for e-government is much larger



# Conclusions



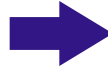
- E-government holds considerable promise for not only providing better government services to citizens, but also for saving the federal government money (estimates place these savings at as much as \$500 million per year!)
- However, while e-government seems to perform better than “traditional” government services, it does not yet match the standards set by private sector Web sites. More work is needed

## 5. IRS Case Study

# Case Study: Internal Revenue Service

Before leveraging customer satisfaction ...

- Disgruntled employees
- Dissatisfied taxpayers
- Declining, low ACSI Scores



1997 Senate  
Hearings:  
A Tax Agency  
Out of Control

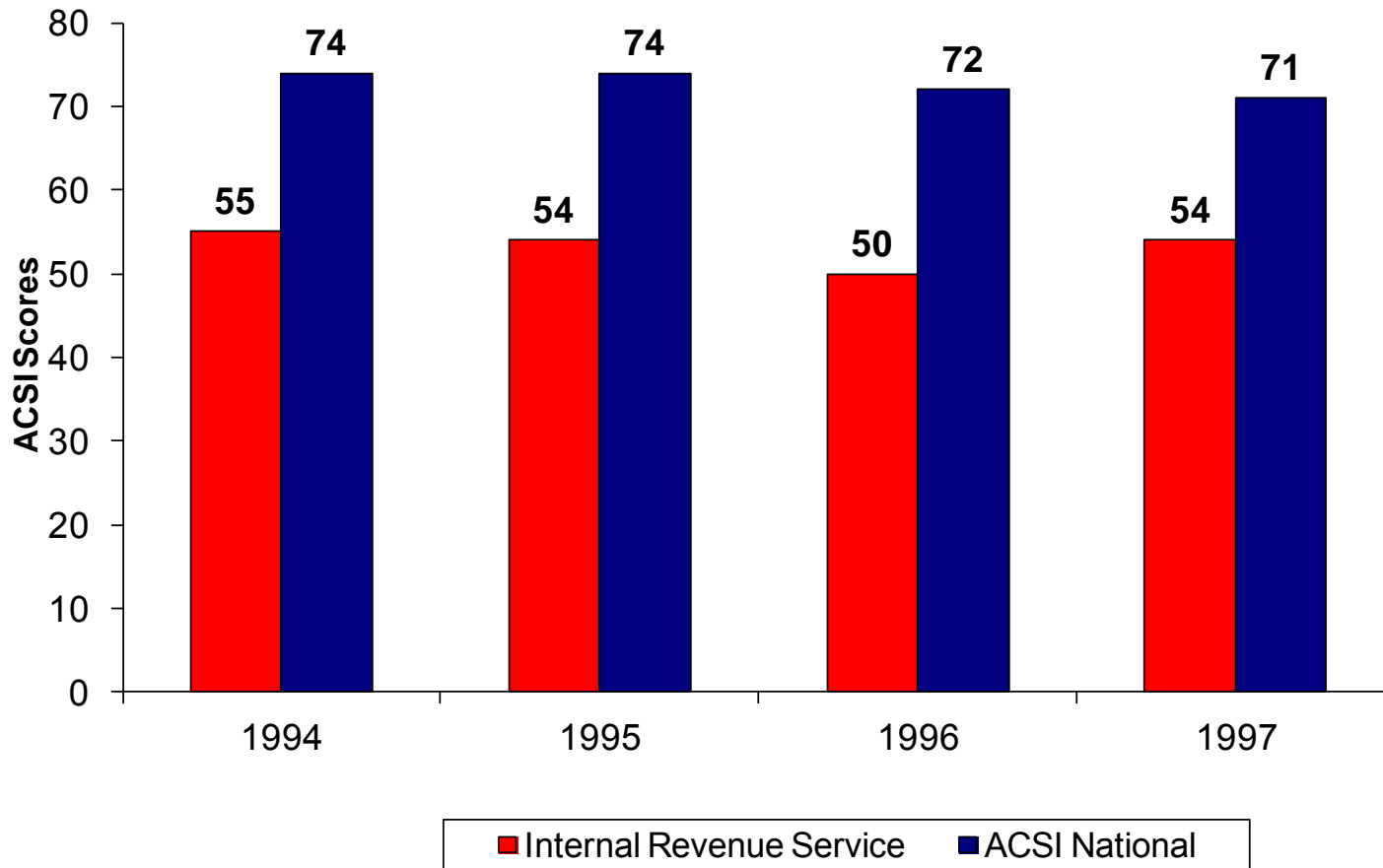
*“As only one taxpayer representative out of thousands across the country, I have seen dozens of taxpayers severely damaged and even made homeless by the IRS collection division.”*

*Anonymous Witness #1, IRS Employee  
Senate IRS Hearings 1997*

*“The long list of IRS horrors included arbitrary collection decisions, sale of taxpayer lien property far below value, and the cavalier mistreatment of taxpayers.”*

*Bob Zelnick, ABC Good Morning America  
September 26, 1997*

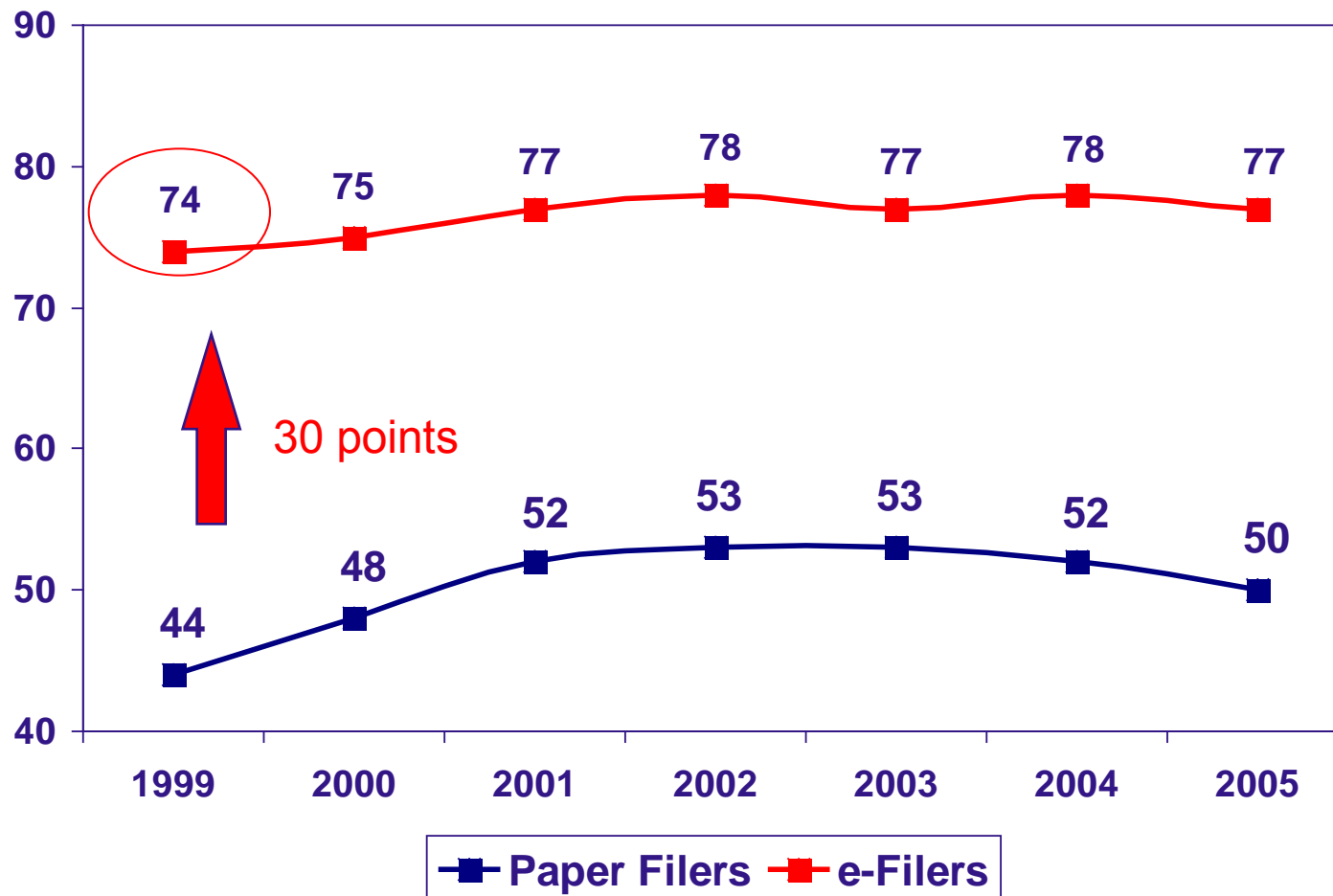
# Case Study: Internal Revenue Service



# Case Study: Internal Revenue Service

e-Filers vastly more satisfied ...

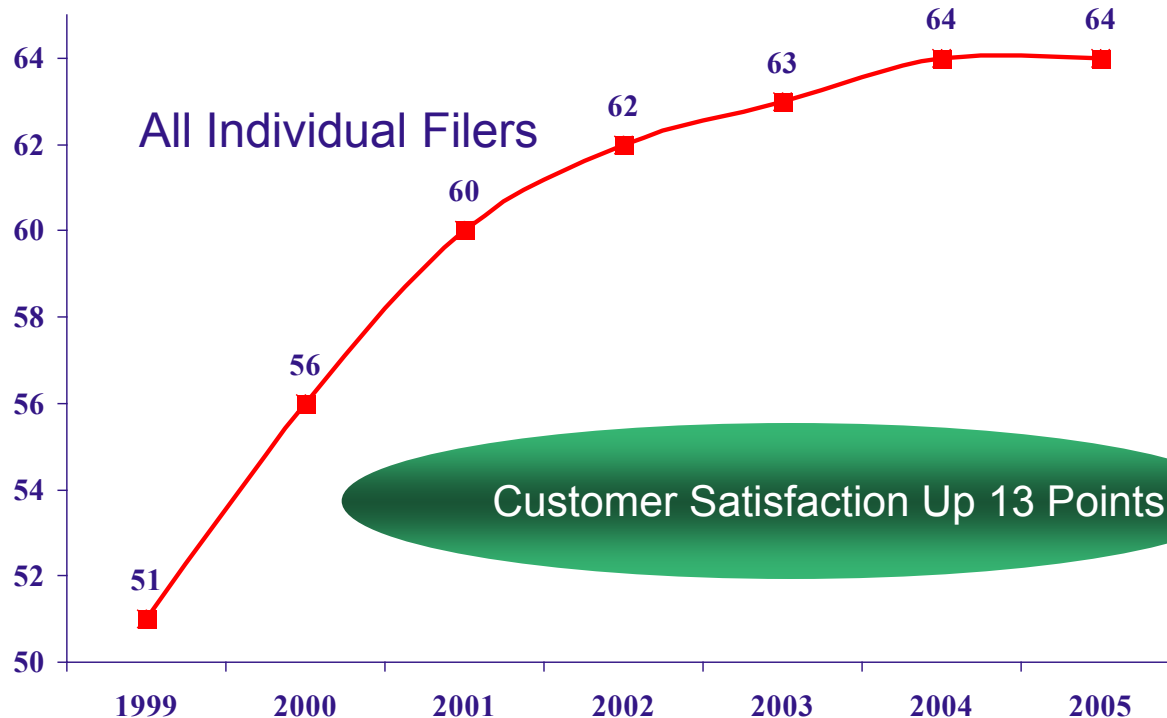
- fewer errors, quick problem resolution
- earlier refunds, status tracking



# Case Study: Internal Revenue Service

## IRS hears the voice of the customer ...

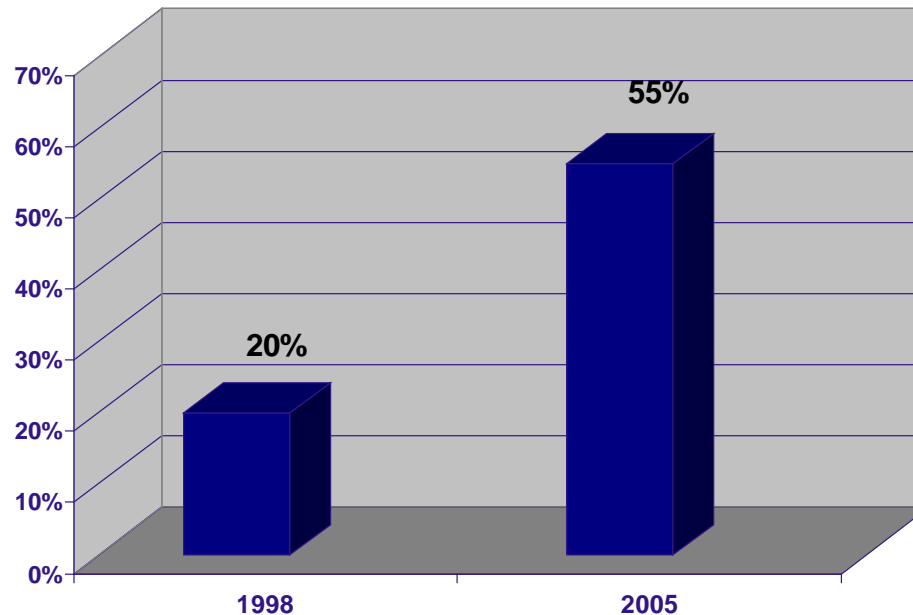
- Commitment to customer service
- Increased awareness and usage of e-Filing



Faster Trade-Up to Electronic filing...  
Faster access to tax revenues?

# Case Study: Internal Revenue Service

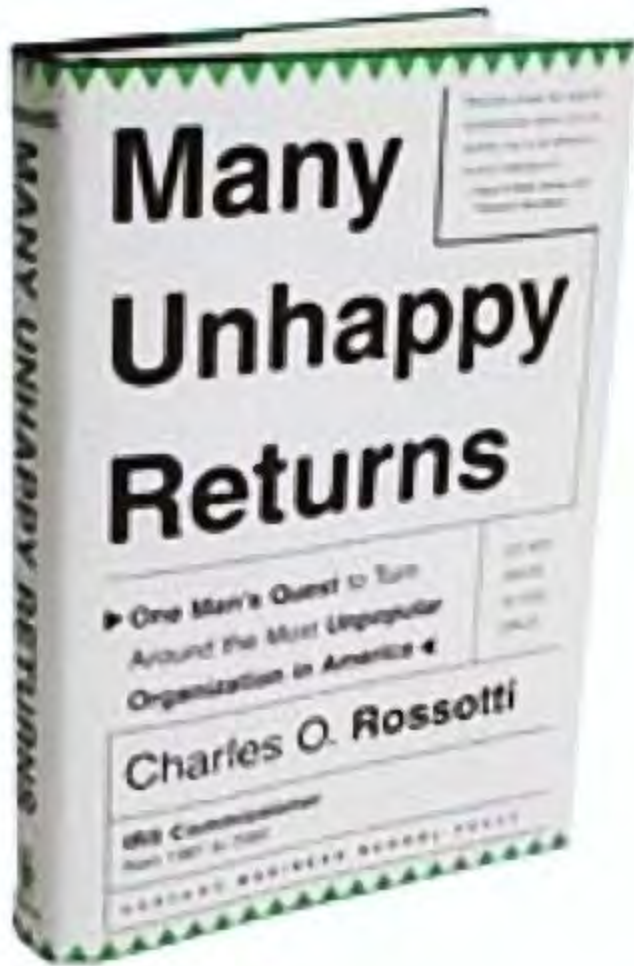
Number of e-filers nearly triples in 7 years



*“We realize we have more work to do, but the survey is just one more indication that the IRS reorganization and its emphasis on customer service are paying off. The satisfaction with IRS e-file won’t surprise any taxpayer who has used it. When they try it, they like it. It is fast, accurate and dependable.” - Charles O. Rossotti, IRS commissioner, December 17, 2001*



# Case Study: Internal Revenue Service



“The IRS web site is the most popular channel for taxpayers to use to obtain information or resolve a tax matter... This web site, which has grown since 2005, along with customer satisfaction ratings for [www.irs.gov](http://www.irs.gov) from the American Customer Satisfaction Index (ACSI)...”

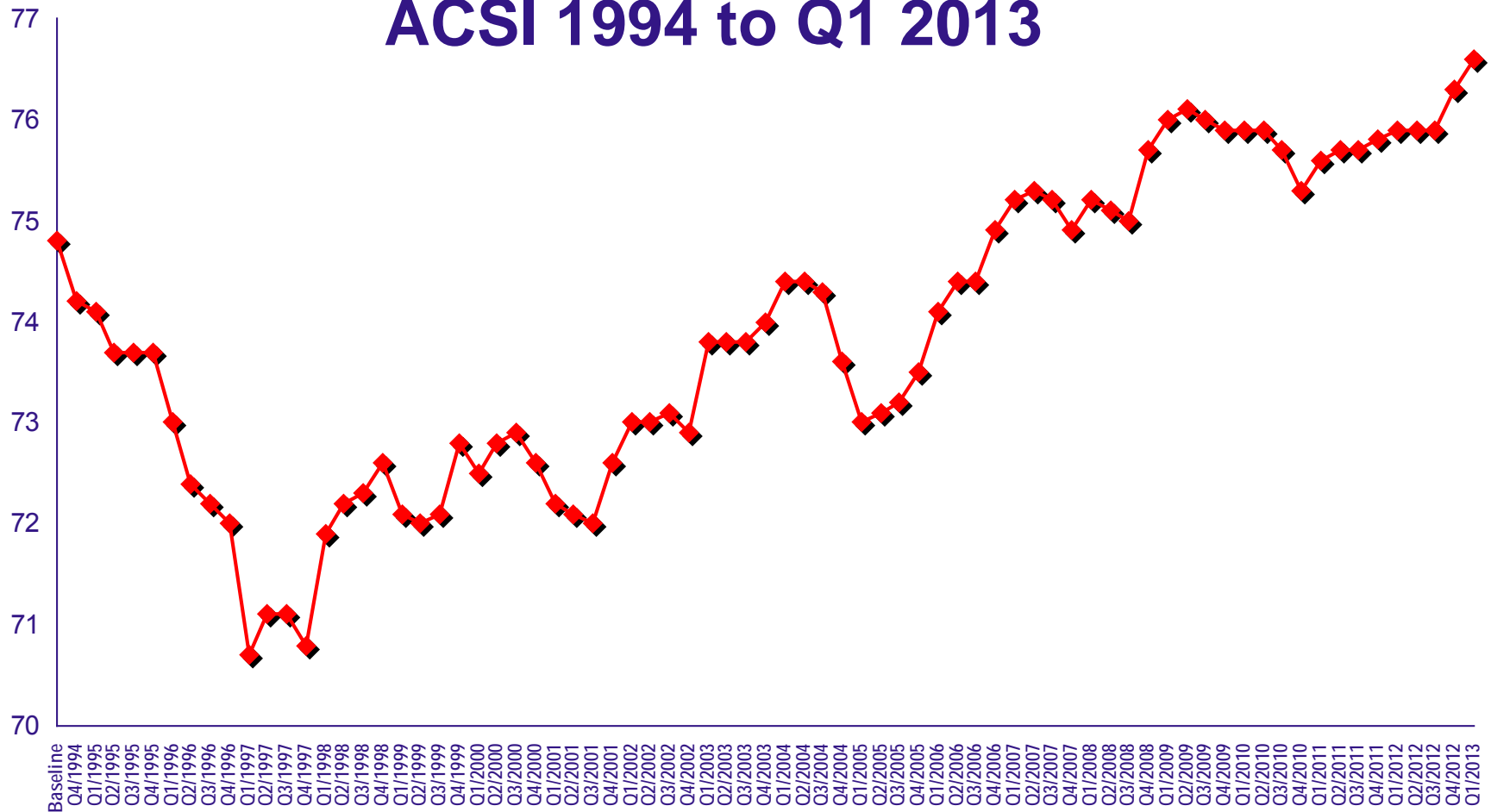
Internal Revenue Service,  
“2010 Annual Report to Congress”

- For more information, visit the ACSI website at:  
[www.theacsi.org](http://www.theacsi.org)

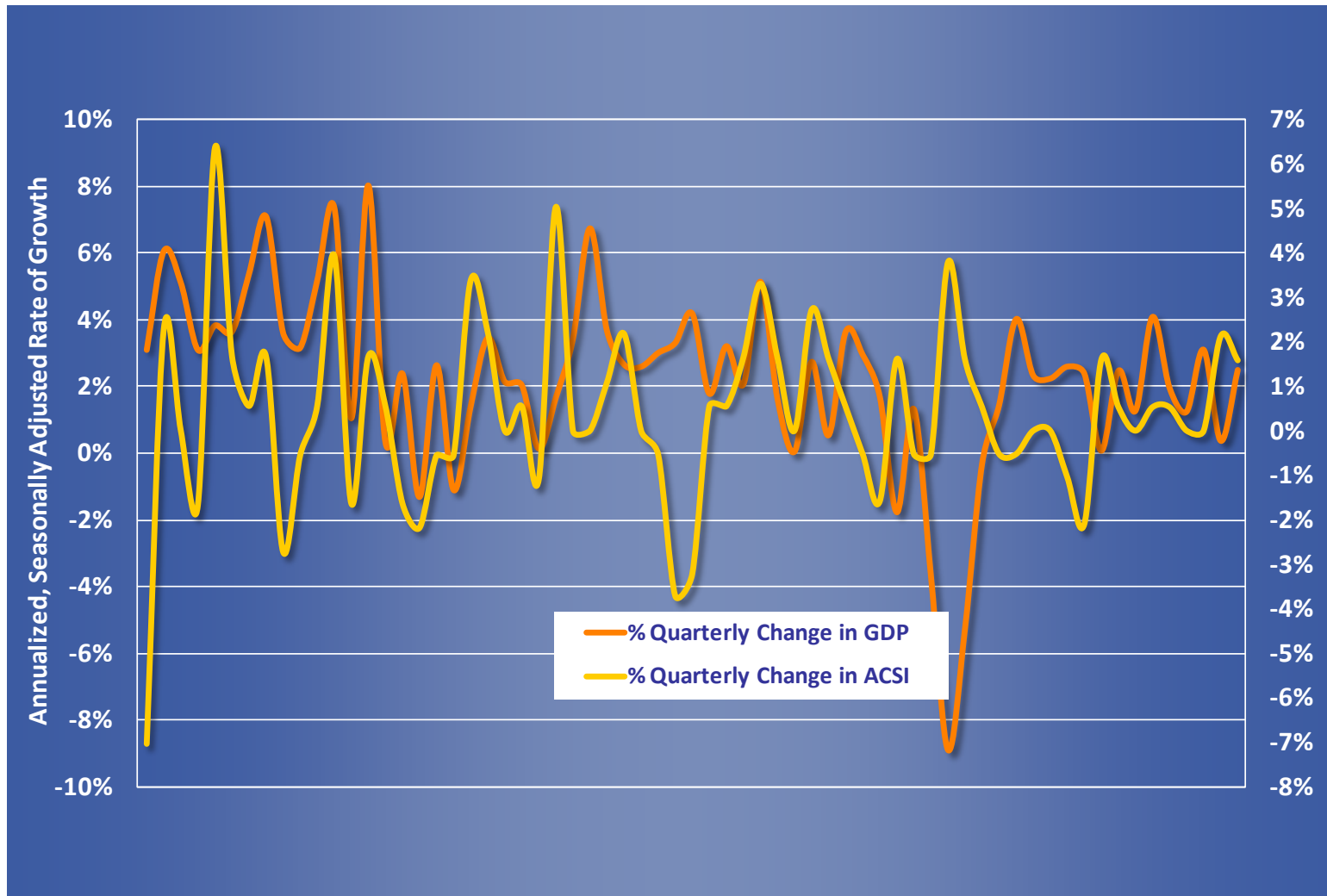
# Appendix

# ACSI and Financial Returns (Macro)

## ACSI 1994 to Q1 2013

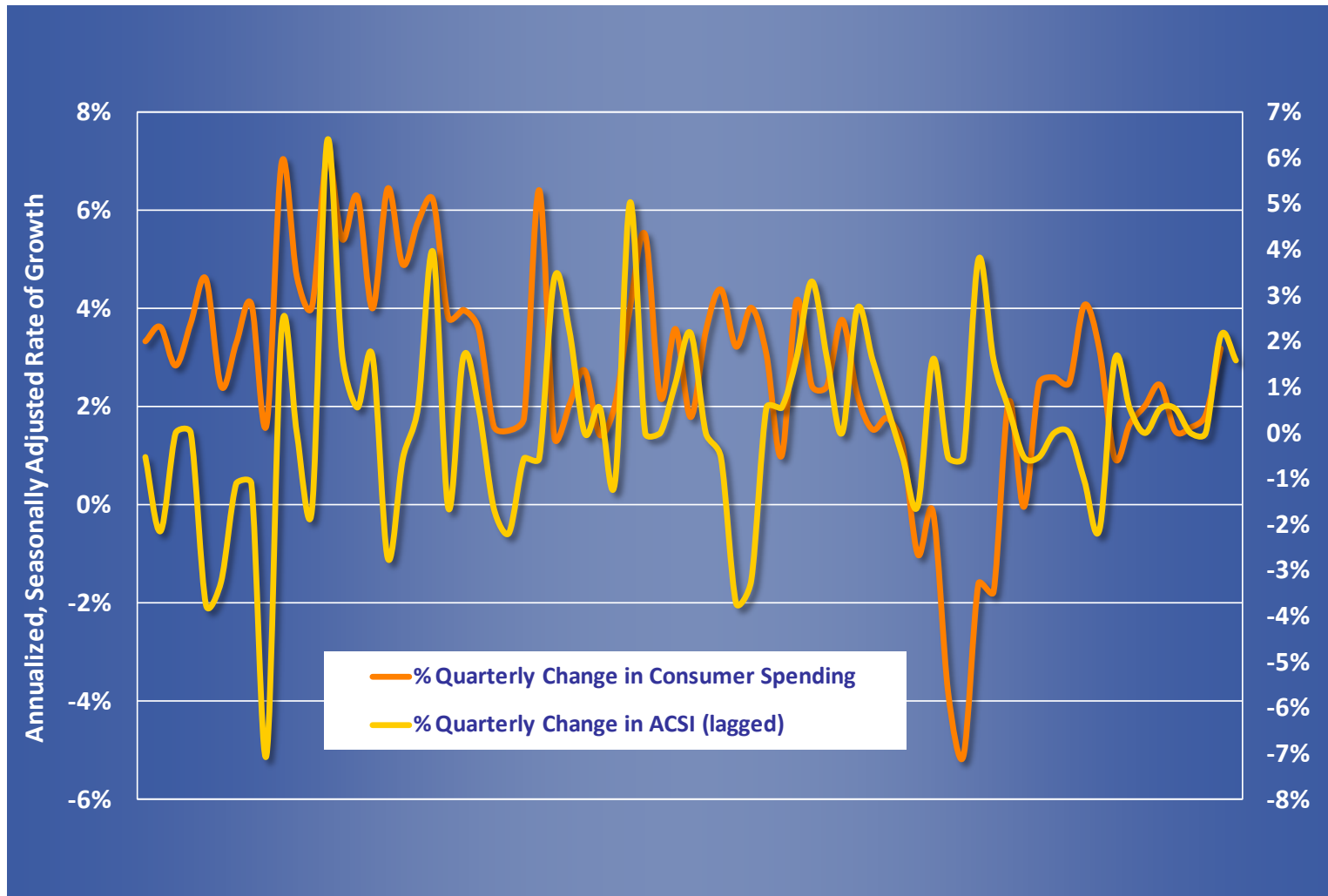


# Growth in ACSI and GDP: 1997 – 2013 (Q1)

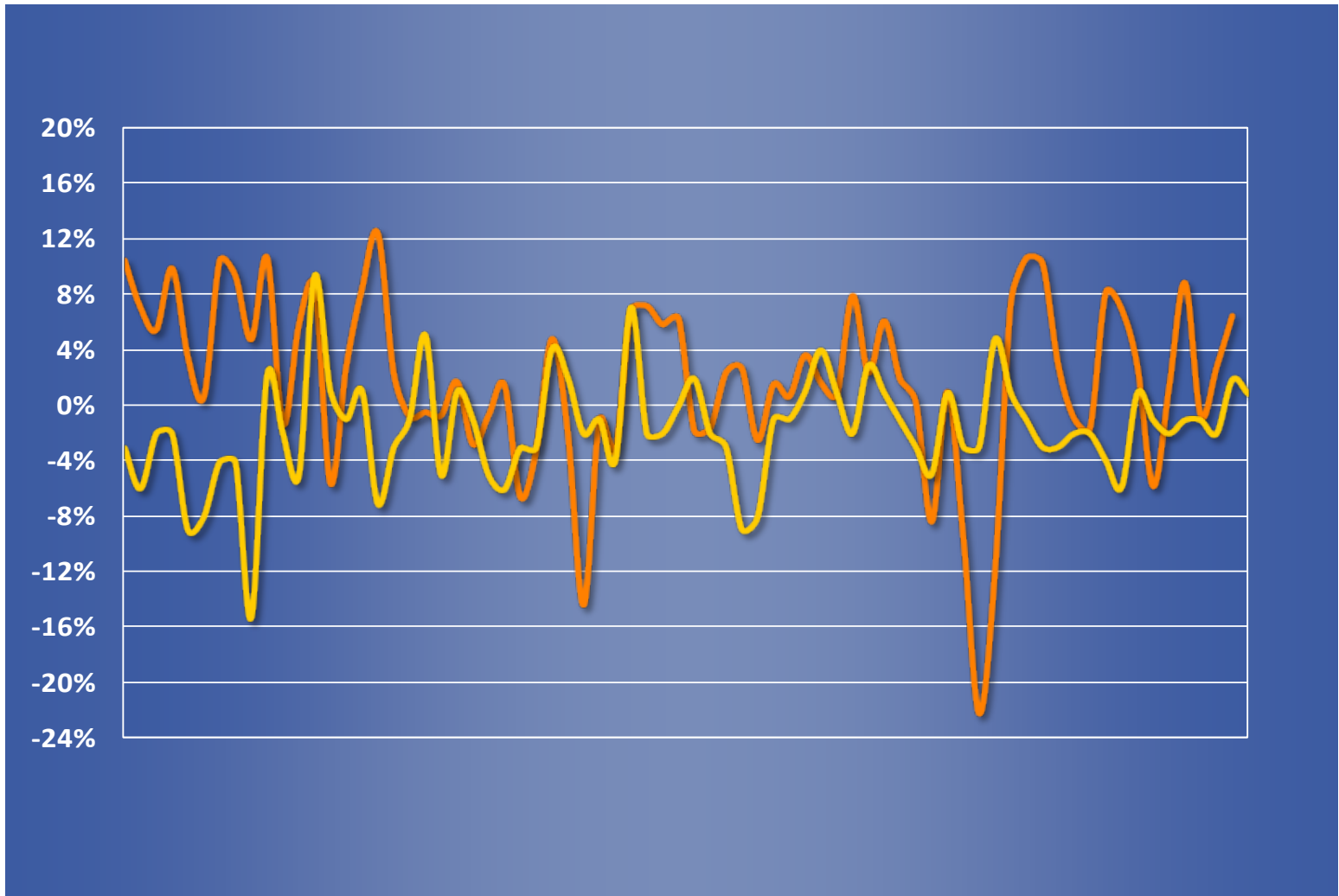


Source: GDP from U.S. Department of Commerce, Bureau of Economic Analysis

# Growth in ACSI and Consumer Spending: 1995 – 2013 (Q1)



# Growth in ACSI and DJIA: 1995 – 2013 (Q1)





# ACSI Stock Portfolio vs. SP 500 Cumulative

## April 2000 – April 2013



# ACSI and Financial Returns (Micro)

# Measuring Customers as an Asset

*Aligning measures to maximize the firm's performance*



## Customer Satisfaction Management System



Voice of Customer



Methodology-Driven  
Impact Analysis



Financially-Driven  
Strategic Guidance

- Management Perspective
- Customer Interviews
- Model of Satisfaction
- Custom Questionnaire

- Causes and Consequences
- Quantify Improvements
- Special Analyses
- Benchmarking

- "What to Do"
- Financial Impact
- Progress Monitoring
- What-If Analysis

# The Satisfaction-Profitability Chain

- Expectations
- Quality (Product, Service)
- Value
- Brand Image
- Employee Satisfaction

Drivers of  
Satisfaction

Customer  
Satisfaction

- Customer Loyalty
- Word-of-Mouth
- Up/Cross-Selling
- Share of Wallet

Satisfaction  
Outcomes

Corporate  
Financial  
Performance

- Revenue Growth
- Market Share
- Earnings/Profitability

Stock Market  
Performance

- Higher Market Value
- Lower Volatility
- Lower Risk

# What is CLV?



- Customer lifetime value (CLV) is defined as the dollar value of a customer relationship, based on the present value of the projected future cash flows from the customer relationship
- CLV quantifies the total value of the customer relationship. It recognizes that because retained customers are “cheaper” than new customers (no advertising; fewer incentives), and because the retained customer becomes less expensive in the future (the discount rate), the strength of the customer relationship matters greatly
- CLV is calculated as:

Customer lifetime value (\$) =

Margin (\$) \* (Retention Rate (%) ÷  
[1 + Discount Rate (%) - Retention Rate (%)])

# What Role Does Satisfaction Play in CLV?

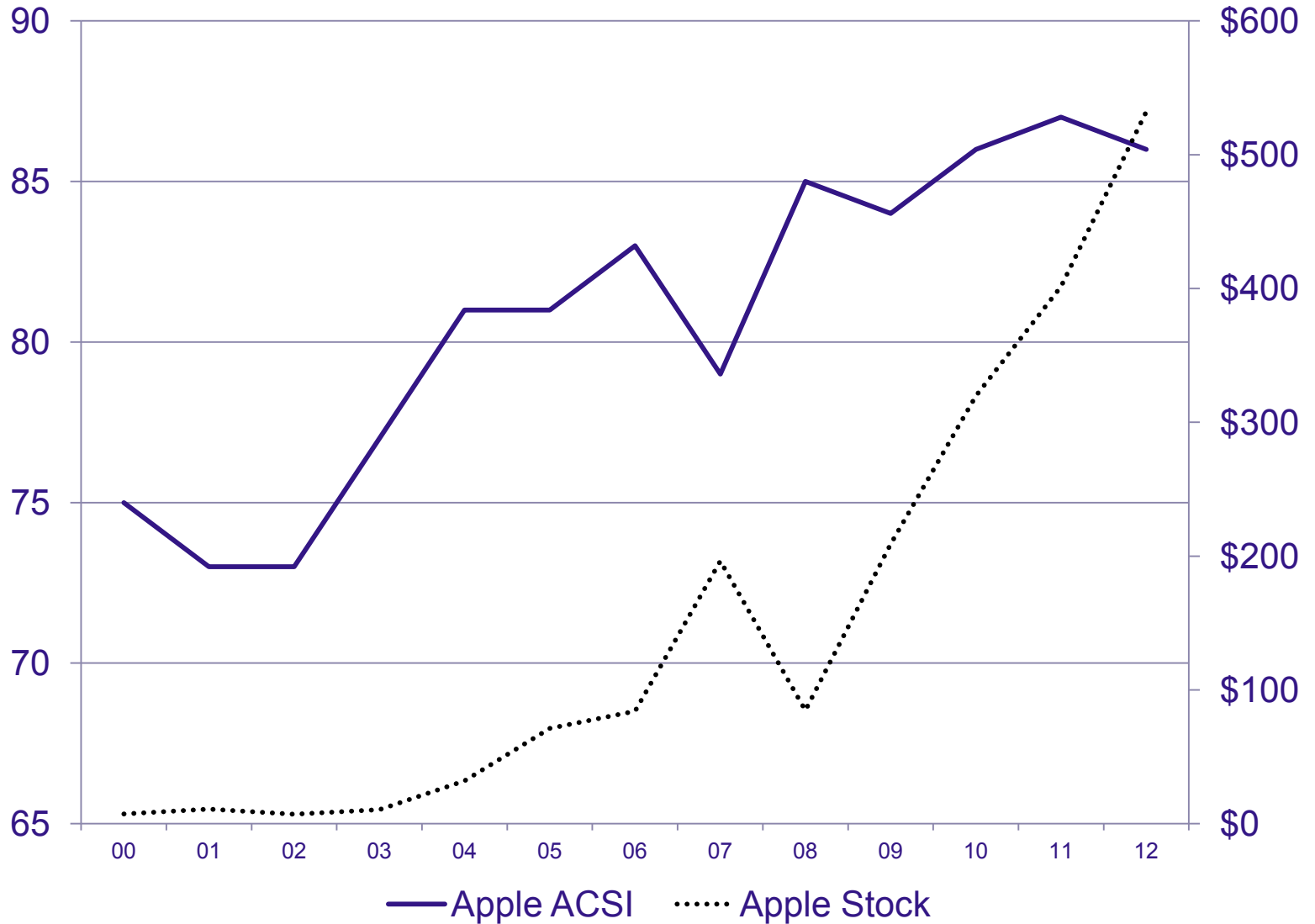


- As customer satisfaction increases, so too does the customer retention rate. In turn, an increasing retention rate means a larger CLV, with each customer bringing more profit to the firm:

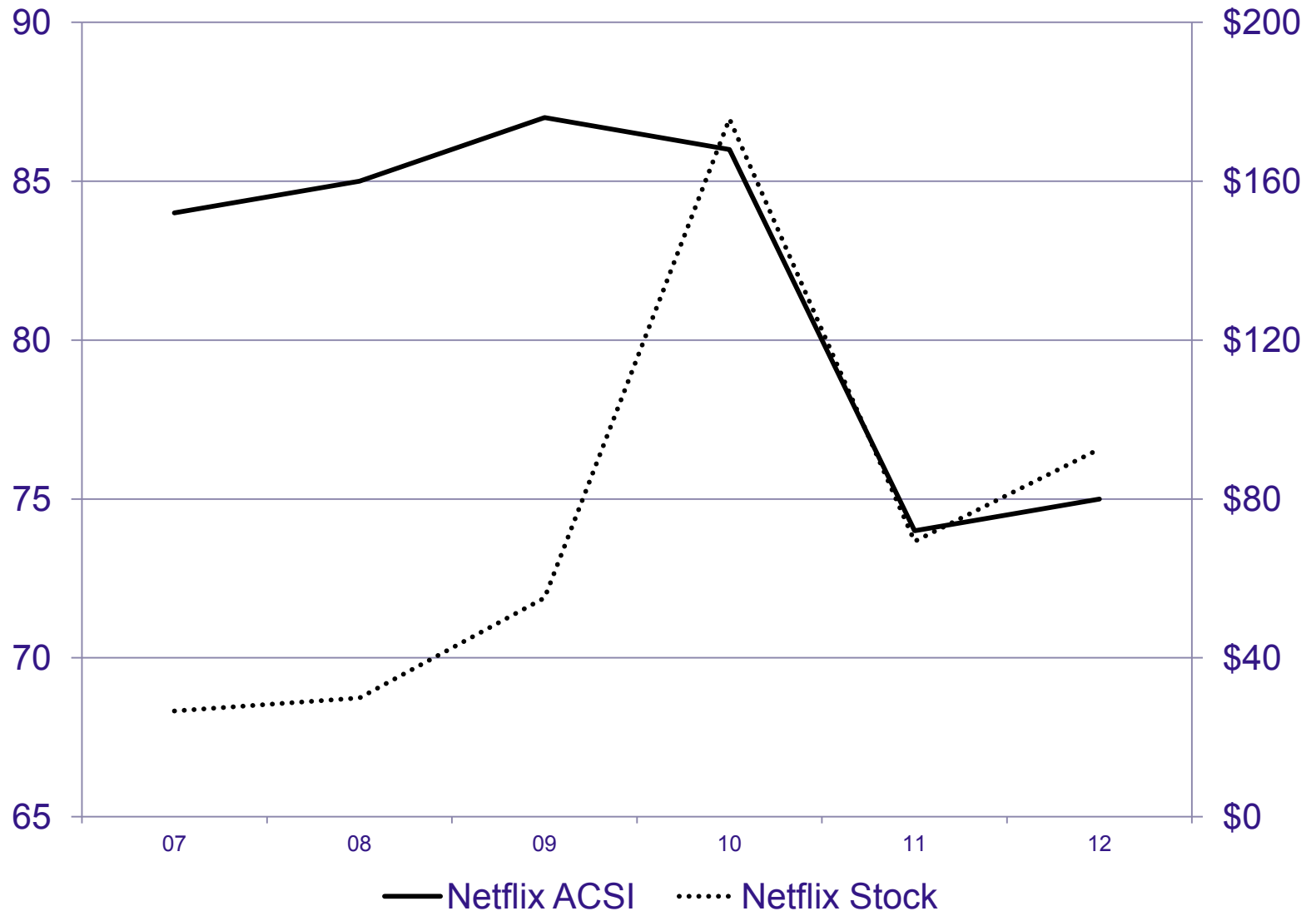
ACSI	Retention	% $\Delta$ CLV
ACSI +0	75.0%	0.0%
ACSI +1	75.6%	2.8%
ACSI +2	76.3%	5.6%
ACSI +3	76.9%	8.6%
ACSI +4	77.6%	11.7%
ACSI +5	78.2%	15.0%
ACSI +6	78.9%	18.3%
ACSI +7	79.5%	21.9%
ACSI +8	80.2%	25.5%
ACSI +9	80.8%	29.3%
ACSI +10	81.5%	33.4%

- In this example, based on ACSI data, an increase in ACSI of 10-points was shown to increase Retention by 6.5%. In turn, CLV increased 33.4%, meaning that the average per-customer profitability increases by 33.4% as well!

# Stock Price and ACSI: Apple

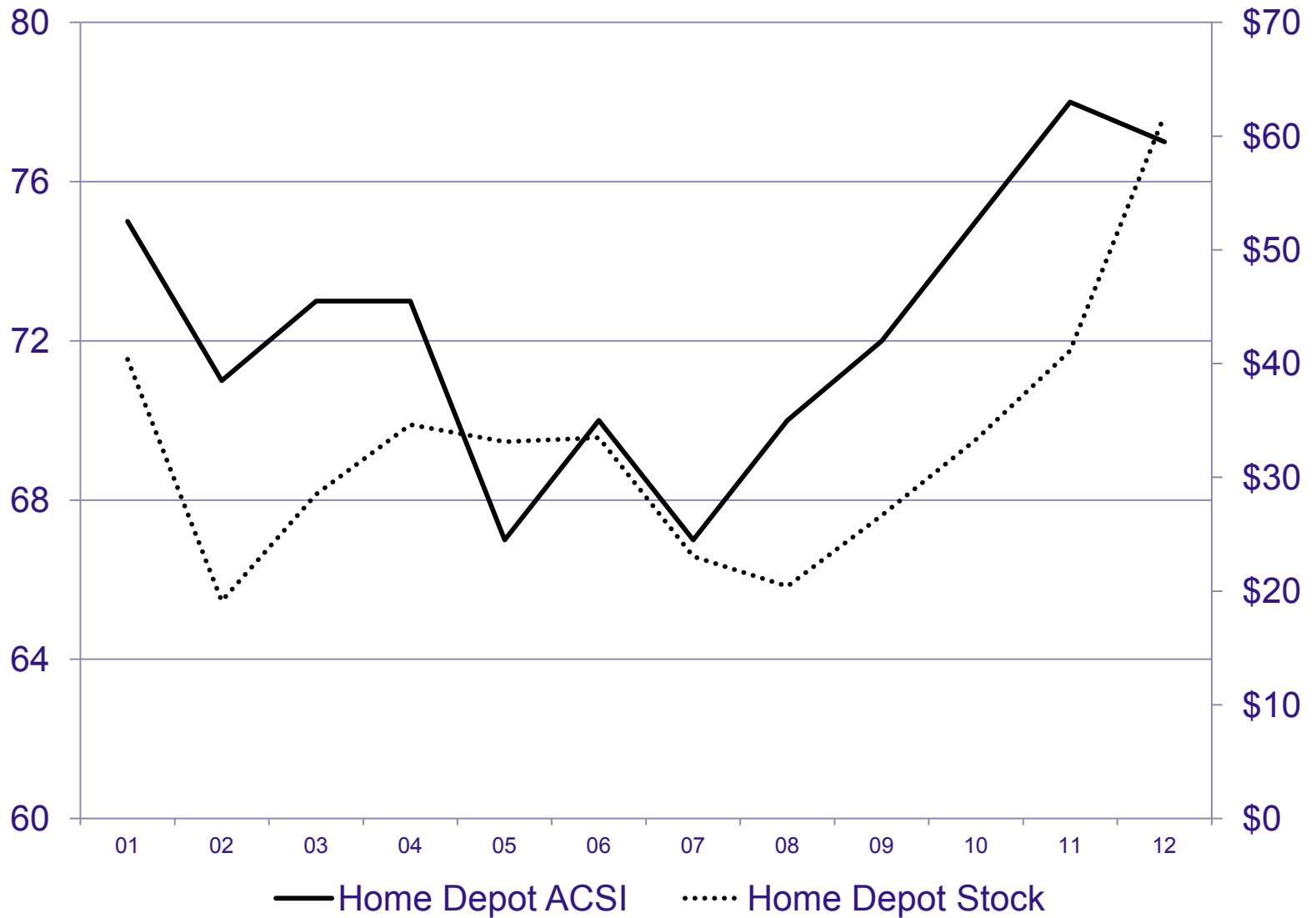


# Stock Price and ACSI: Netflix

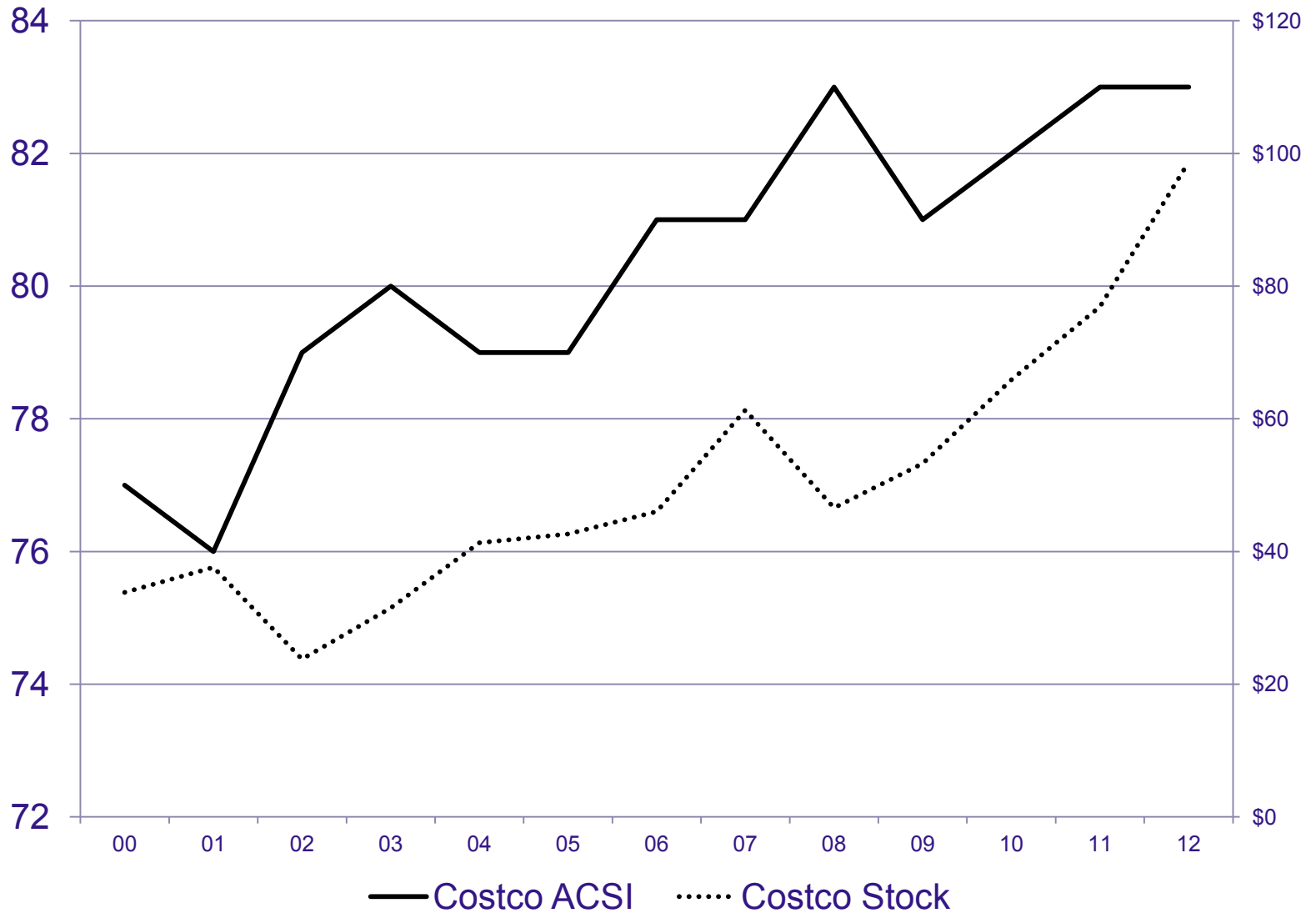




# Stock Price and ACSI: Home Depot



# Stock Price and ACSI: Costco



# ACSI: Academic Power and Proven Performance



- ACSI data has been used and examined in more than 3000 academic research articles over the past two decades
- In one study, customer satisfaction as measured by ACSI was found to outperform other popular metrics – such as Net Promoter, customer complaints, “top-box” satisfaction, word-of-mouth/recommendation, and repurchase intention – in predicting financial outcomes
- ACSI is a leading predictor of the following measures of financial performance (among others):
  - Stock market returns
  - Total shareholder returns
  - Market value added (MVA)
  - Return on investment (ROI)
  - Annual sales/revenue growth
  - Net operating cash flow

# Cross-National Benchmarking

# Why Measure Cross-National Satisfaction?



- In 2008, 48% of the revenues of S&P 500 companies came from abroad; share of international profits as a percentage of total profits has risen from 5% during the 1960s to over 25% in 2008
- As firms globalize their operations, market research examining consumer attitudes and behaviors cross-nationally has become very common
- Similar to single-market firms, cross-national satisfaction measurement is driven by the belief that improving satisfaction will result in increased customer loyalty and the financial benefits associated with more loyal customers in all markets of operation

# Cross-National Satisfaction Research from ACSI



- Many MNCs are now implementing cross-national satisfaction measurement programs, with data collected across a dozen or more countries and results compared
- This data is now utilized as the basis for performance incentives, operational decision-making, and process improvement
- The proliferation of cross-national satisfaction measurement means that research practitioners within MNCs must be able to disentangle sources of variation in consumer satisfaction across nations in order to effectively compare and benchmark satisfaction across nations

# Cross-National Satisfaction Research from ACSI



- A recent study, using data from ACSI and ACSI partner countries, examines this issue, seeking to explain sources of cross-national variation in consumer satisfaction\*
- The paper focuses on three sets of broad factors hypothesized to impact satisfaction across nations: cultural, socioeconomic and political-economic factors
- The study utilizes a unique sample of cross-industry satisfaction data from 11 economic sectors across 19 nations, encompassing nearly 257,000 interviews of consumers

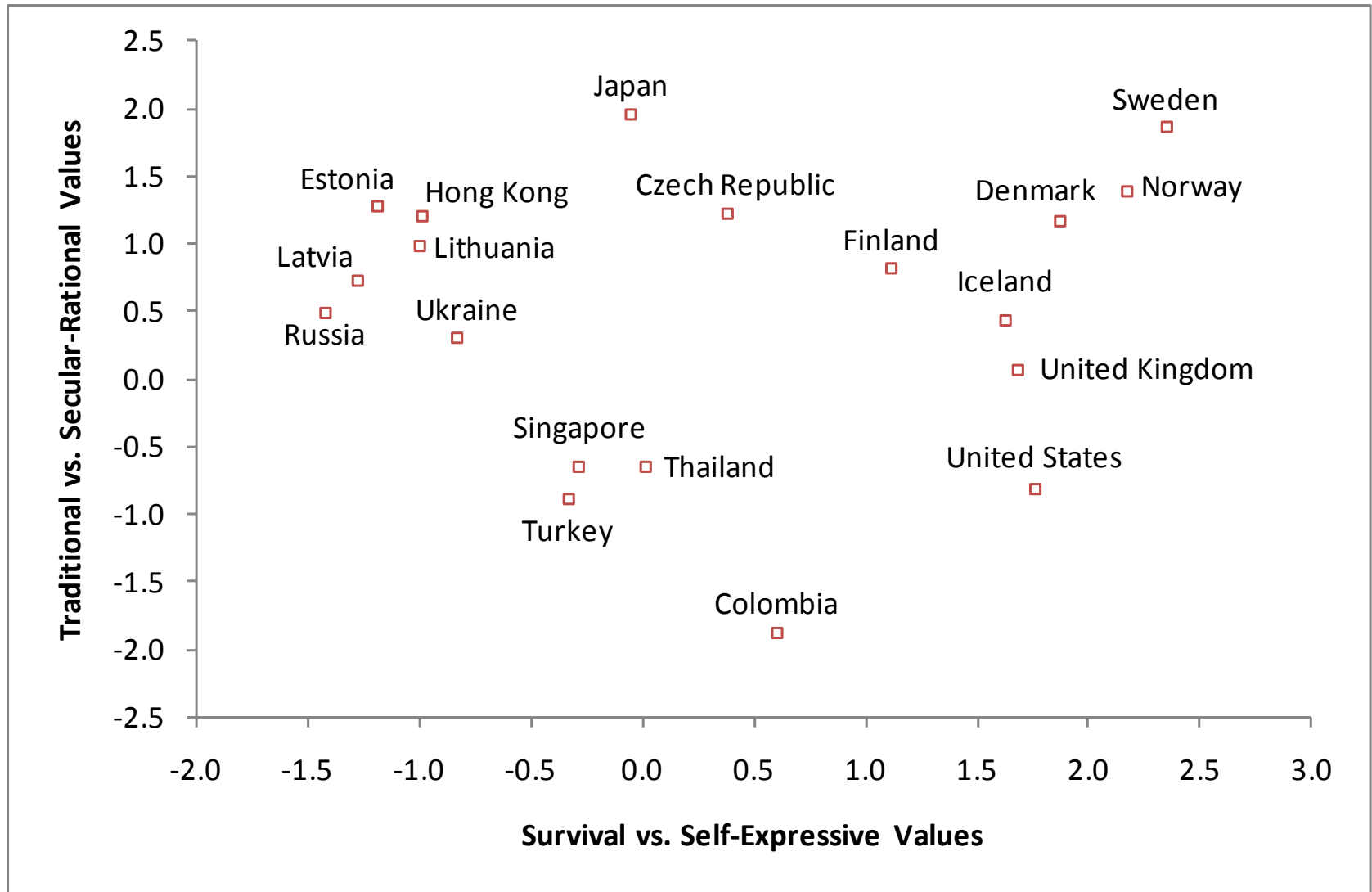
\*Morgeson III, Forrest V., Sunil Mithas, Timothy L. Keiningham and Lerzan Aksoy (2011). "An Investigation of the Cross-National Determinants of Customer Satisfaction," *Journal of the Academy of Marketing Science*, 39(2), 198-215.

# Sectors and Nations Measured

Country	Utilities	Transportation and Warehousing	Information	Health Care and Social Assistance	Accommodation and Food Services	Educational Services	Manufacturing (Nondurable Goods)	Manufacturing (Durable Goods)	Public Administration	Retail Trade	Finance and Insurance	Total
United States	1	3	12	1	3	0	8	5	4	5	4	46
Singapore	0	6	2	4	5	3	0	1	0	9	1	31
Hong Kong	0	2	2	3	3	1	0	0	0	6	1	18
Japan	0	2	2	2	4	2	0	0	0	5	1	18
Thailand	0	3	2	3	3	1	0	0	0	5	1	18
Colombia	0	0	1	2	0	0	0	1	0	1	2	7
Turkey	0	2	1	1	1	1	14	5	4	4	4	37
United Kingdom	0	0	1	0	2	0	0	1	0	0	3	7
Denmark	0	1	3	1	0	1	0	0	1	0	2	9
Finland	1	1	4	1	0	1	0	0	0	1	2	11
Norway	0	0	3	0	0	0	0	0	0	2	2	7
Sweden	1	5	3	3	0	4	0	0	2	5	5	28
Iceland	1	0	2	0	0	0	0	0	0	4	2	9
Czech Republic	0	1	1	1	0	1	0	0	0	0	2	6
Russia	0	1	1	0	0	0	0	0	0	0	1	3
Ukraine	0	1	1	0	0	0	0	0	0	1	2	5
Estonia	0	0	2	0	0	0	0	0	0	1	1	4
Latvia	0	0	2	0	0	0	0	0	0	1	1	4
Lithuania	0	0	2	0	0	0	0	0	0	1	1	4
Total	4	28	47	22	21	15	22	13	11	51	38	272

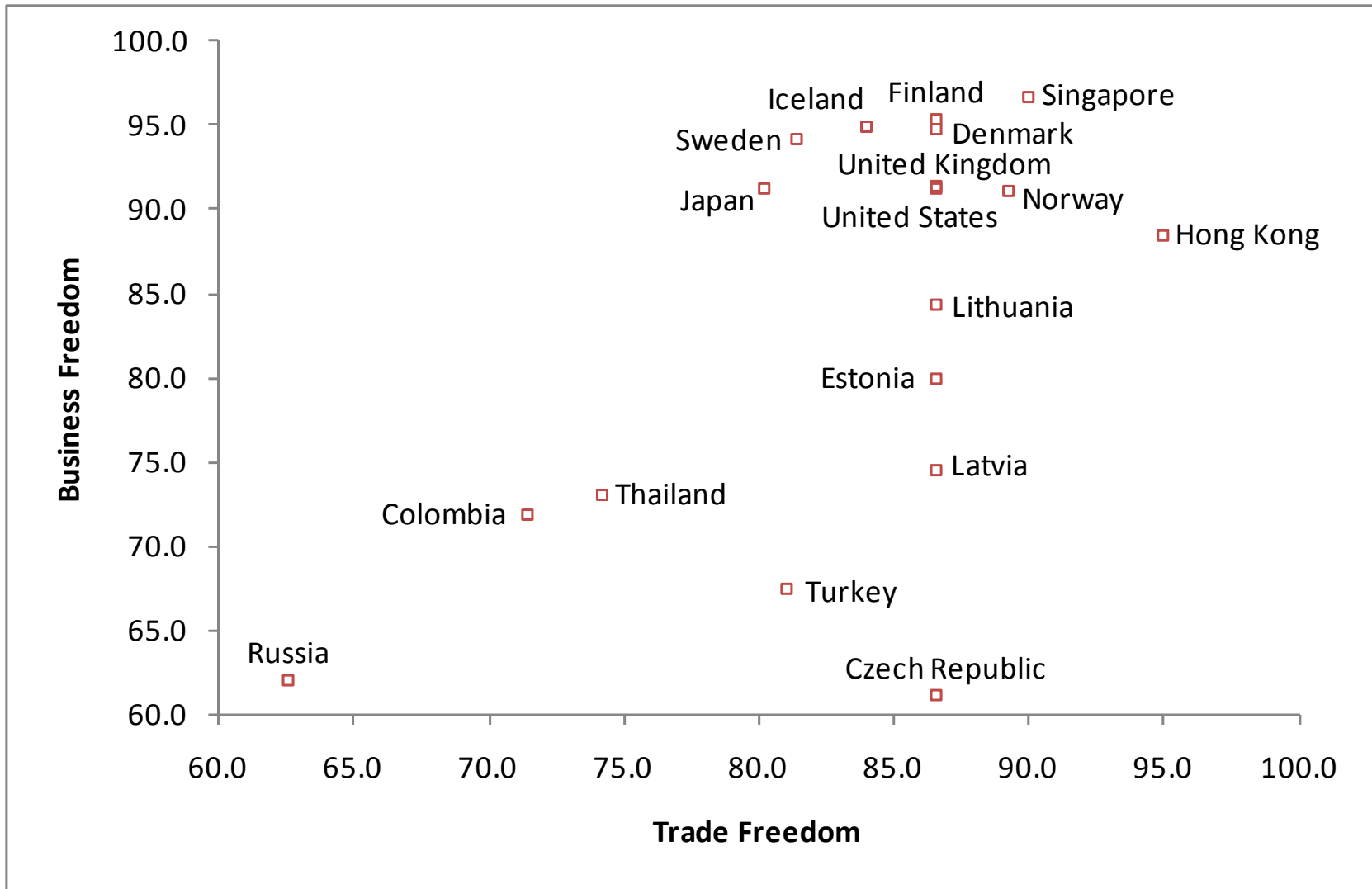


# Traditional vs. Secular-Rational and Survival vs. Self-Expressive Cultural Values by Nation



- Consumers in traditional societies (strong national pride, passive respect for authority, protectionism; e.g. Colombia, Turkey, the United States) tend to experience and express higher levels of satisfaction than secular-rational societies (e.g. the northern European countries)
- Consumers in self-expressive societies (strong interpersonal trust, high subjective well-being, post-materialist values; e.g. Sweden, Norway, Denmark) tend to experience and express higher levels of satisfaction
- These results suggest that cultural factors matter when benchmarking satisfaction results across nations, and that some cultural groups may be harder to please than others

# Trade Freedom and Business Freedom Values by Nation



# Political-Economic Findings



- Consumers in nations with greater international trade freedom (e.g. Hong Kong, Singapore) tend to experience and express higher levels of satisfaction
- Consumers in nations with greater domestic business freedom (e.g. Finland, Singapore) tend to experience and express higher levels of satisfaction
- Taken together, these results suggest that greater levels of economic freedom increases the satisfaction of domestic consumers

# Socio-Economic Findings



- Consumers in nations with higher average per capita GDP (e.g. Singapore, Norway, the United States) are less satisfied
- On the other hand, consumers in nations with higher literacy rates (e.g. Finland, Norway) are generally more satisfied
- These findings suggest that as a nation's wealth grows, consumers become more demanding/less easy to satisfy. On the other hand, more literate consumers tend to be more satisfied consumers

# Conclusions & Recommendations



- Marketing managers must recognize that any effort to benchmark and compare satisfaction levels across distinct nations is likely to be confounded by cultural differences
- Moreover, results suggest that efforts to improve satisfaction may have a less noticeable effect in some nations, suggesting that efforts to establish cross-national “targets” for satisfaction improvement may be difficult
- Strategically, MNCs should recognize these culturally-driven satisfaction thresholds when considering entry into new national markets

# Conclusions & Recommendations

- Confirming both classical economic theory and contemporary accepted wisdom, the study finds that both free trade and business freedom positively impact customer satisfaction. Freer markets have happier consumers
- For economic and political policymakers, this finding suggests that improving customer service and satisfaction as a strategy for spurring economic growth can be achieved (in part) through expanding economic freedom
- Finally, as a nation's wealth increases consumers become more difficult to satisfy, while an increasing literacy rate has the opposite impact. MNCs should recognize these facts as well when considering entry into developed national markets