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Credit Unions Set All-Time Record for Customer Satisfaction

ACSI Gap Widens Between Credit Unions and Banks; Small Better Than Big

ANN ARBOR, Mich., (December 13, 2011)—Customer satisfaction with credit unions breaks all prior records this year, according to a report released today by the American Customer Satisfaction Index (ACSI). Customers are more satisfied than ever before with credit unions, as the industry's score soars 8.7% to 87 (on a scale of 0 to 100)—the highest score ever reached by any of ACSI's 47 industries. In just one year, credit unions have tripled their ACSI lead over banks.

“Banks are facing difficult times on multiple fronts: Profits are being squeezed, regulators are more demanding, foreclosures remain problematic, and consumers are fighting back on fees. On top of all this, many banks are losing customers, including defections prompted by grassroots efforts like the recent Bank Transfer Day,” says Claes Fornell, ACSI founder and author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*. “While it is too early to quantify just how much business the big banks have lost to smaller competitors, the new ACSI data suggest credit unions and smaller banks now have become an even more attractive alternative for consumers.”

Banks & Credit Unions: Large Institutions Lag Behind for Customer Satisfaction

Customer satisfaction with banks—which includes personal banking services like checking, savings and personal loans—retreats 1.3% to 75. This small downturn comes from a 1% slip in satisfaction with the aggregation of smaller banks (which make up a large portion of the industry's market share). At 79, however, the smaller banks stay well ahead of the four largest banks, despite considerable improvement by two: Citigroup and JPMorgan Chase.

Among the four big banks, last year's leader Wells Fargo keeps its customer satisfaction stable, but a 6% improvement for Citigroup places the two in a tie for first at 73. Citigroup's ACSI score reflects customer satisfaction with services of its Citibank division. In the aftermath of the subprime mortgage crisis, Citibank is shrinking as it closes branches and serves fewer customers. The customers who have chosen to stay are more satisfied.

The second gainer among four banks, JPMorgan Chase, improves 4% to 70 and maneuvers past a stagnant Bank of America at 68. Chase's rebound this year follows a string of ACSI losses, but the bank has yet to return to its pre-financial crisis customer satisfaction level. Still, Chase is now the largest U.S. bank in terms of assets, supplanting

a beleaguered BoA. Stranded in last place for customer satisfaction, BoA faces unresolved revenue challenges after scrapping a wildly unpopular plan to impose new debit card fees. For any of the large banks, the gap between their own ACSI score and the scores of either small banks (79) or credit unions (87) is daunting.

“Because of their size, both small banks and credit unions benefit from an ability to provide more personalized service,” remarks Fornell. “The challenge for these smaller institutions will be how best to maintain high levels of customer service with minimal or no fees amid a major influx of new customers.”

Health Insurance: Rising Costs Depress Customer Satisfaction

A decade of rising costs keeps customer satisfaction with health insurance on the low end compared with other finance and insurance industries. For 2011, the industry’s ACSI score slides 1.4% to 72.

“Just over the past year, the average cost for health insurance premiums has risen 9%,” notes Fornell. “With a weak economy, a fragile—albeit improved—labor market, and stagnating wages, price hikes of this magnitude are not helpful in creating satisfied customers.”

The bottom ACSI score belongs to Aetna, down 1% to 67, while the Blue Cross and Blue Shield Association slumps 3% to a six-year low of 68. The deterioration is not surprising given that some BCBS policyholders have experienced double-digit rate increases over the past year.

Smaller health insurance carriers do a better job of satisfying their customers and keep the lead at 75 (-1%). Meanwhile, two major health insurers close the gap with substantial gains. WellPoint—the largest member of the BCBS Association—leaps 7% to 74, while UnitedHealth boomerangs 11% to 72 and makes up all of its 2010 loss. This dramatic fluctuation mirrors the company’s revenues (down 6% in 2010 and up 6% in 2011).

Life & Property Insurance: Small Companies Provide Good Value

Lower premiums and fewer customer interactions put life insurers and those providing property and casualty policies ahead of health insurers when it comes to customer satisfaction. Life insurance overall is stable at 80, with small companies setting the pace at 82 (+1). Close behind, Northwestern Mutual continues to please policyholders at 81 (+1%), followed by two companies that improve 3% each: New York Life (80) and Prudential (79). MetLife lags the field, down 1% to 77.

Property and casualty insurers as a group step up their game in 2011. The industry score shoots up 3.8% to an all-time high of 83 prompted by a surge in customer satisfaction for small companies—up 4% to an industry-leading score of 83. For large insurers, stability rules the day, as State Farm (82), GEICO (81), Progressive (79) and Allstate (78) line up exactly as they did in 2010. An improved Farmers Group joins the pack after gaining 4% and now ties Progressive at 79.

About ACSI

The American Customer Satisfaction Index is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States. Data from interviews with approximately 70,000 customers annually are used as inputs into an econometric model to measure satisfaction with more than 225 companies in 47 industries and 10 economic sectors, along with over 200 services, programs, and websites of approximately 130 federal government agencies.

ACSI results are released on a monthly basis, with all measures reported using 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 gross domestic product growth.

The Index was founded at the University of Michigan's Ross School of Business and is produced by ACSI LLC. ACSI can be found on the Web at www.theacsi.org.

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