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ACSI: Small Restaurant Chains Improve Customer Satisfaction, Large Chains Deteriorate

Red Lobster Feels the Pinch; Subway Loses Lead; Pizza Hut Delivers Customer Satisfaction

ANN ARBOR, Mich., (June 17, 2014) – Small restaurant chains are gaining customer satisfaction as the largest chains deteriorate, according to a report released today by the American Customer Satisfaction Index (ACSI). ACSI data show that Americans ate out an average of four meals per week in 2013, representing a 60 percent increase since the end of the Great Recession. Also, they are happier with their restaurant dining experiences. Customer satisfaction with full-service restaurants is up 1.2 percent to an ACSI score of 82, holding a slim lead over fast food (80).

"In a weaker economy, consumers respond to price, but as the economy improves, quality becomes more important to restaurant customers," says Claes Fornell, ACSI Chairman and founder. "This is good news for smaller chains and individual restaurants, which customers associate with higher quality food and better service."

Customer satisfaction for smaller restaurant chains is up 2 percent to an ACSI score of 83, the best in the full-service category. Meanwhile, all of the largest chains experience drops in customer satisfaction. Outback Steakhouse and Darden's Olive Garden (both at 80) top the other large chains, but Outback slips 1 percent and Olive Garden's guest satisfaction is down 4 percent from a year ago. Red Lobster takes the biggest fall, down 6 percent to 78 alongside Applebee's (-5% to 78), but Chili's patrons are the least satisfied by far (-5% to 74).

Customer satisfaction with limited-service restaurants is steady at an ACSI score of 80. This marks the third year in a row that fast food restaurants have maintained their highest-ever level of customer satisfaction.

"This is a considerable transformation for an industry that posted scores in 60s throughout the 1990s and never exceeded an ACSI score of 70 until 2001," says David VanAmburg, ACSI Director. "Price has always been a strong point for fast food, but fast casual restaurants have been improving quality and service at such a brisk pace that customer satisfaction with fast food is nearly as high as dine-in restaurants."

Smaller is better for quick-service restaurants too, and the aggregate ACSI score of these restaurants climbs 2 percent to 84, offsetting declines for many of the largest fast food chains. The group of smaller chains—including the rapidly growing fast casual segment with brands like

Panera and Chipotle—now has a higher level of satisfaction than any of the major fast food operators since the Index's inaugural year of 1994.

Among the biggest companies, pizza dominates, with all four of the largest pizza chains topping the category. Papa John's (unchanged) and Pizza Hut (+3%) share the lead at 82, with Little Caesar (-2%) and Domino's Pizza (-1%) not far behind at 80.

Subway falls out of the top spot (-6% to 78) to tie with Wendy's, and Burger King is unchanged at 76. Starbucks is down 5 percent to 76, followed closely by coffee rival Dunkin' Donuts at 75 (-6%). KFC declines the most, dropping 9 percent to 74. Fellow Yum! Brands chain Taco Bell is also down (-3% to 72). At the bottom of the category, McDonald's dips 3 percent to 71.

The full report is available for free download at www.theACSI.org. Follow the ACSI on Twitter at @theACSI and Like us on Facebook.

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 230 companies in 43 industries and 10 economic sectors, as well as over 100 services, programs, and websites of federal 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 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 GDP growth.

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