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ACSI: Subscription TV and ISPs Plummet, Cell Phone Satisfaction Climbs

New Lows for Time Warner Cable and Comcast; AT&T and DIRECTV Drop, but Keep Subscription TV Lead; Samsung Dethrones Apple; Verizon Excels in Wireless

ANN ARBOR, Mich., (May 20, 2014) – Subscription TV and Internet service providers (ISPs) sink to the bottom of the American Customer Satisfaction Index in its annual measure of communications industries. According to the latest ACSI results, ISPs drop 3.1% to an ACSI score of 63 on a 100-point scale, while subscription TV falls 4.4% to 65. These industries, which include many of the same companies, are the worst performing among 43 tracked by the ACSI. Meanwhile, customer satisfaction with cell phones improves 2.6% to 78 and wireless phone service remains at 72.

“The Internet has been a disruptor for many industries, and subscription TV and ISPs are no exception,” says Claes Fornell, ACSI Chairman and founder. “Over-the-top video services, like Netflix and Hulu, threaten subscription TV providers and also put pressure on ISP network infrastructure. Customers question the value proposition of both, as consumers pay for more than they need in terms of subscription TV and get less than they want in terms of Internet speeds and reliability.”

The ACSI report includes the annual measure of ISPs, subscription TV service, fixed-line and wireless telephone service, computer software and cell phones, as well as detailed findings for the top-selling smartphone brands available to U.S. consumers.

Bad Customer Satisfaction News for Subscription TV

Customer satisfaction is deteriorating for all of the largest pay TV providers. Viewers are much more dissatisfied with cable TV service than fiber optic and satellite service (60 vs. 68). Though both companies drop in customer satisfaction, DIRECTV (-4%) and AT&T (-3%) are tied for the lead with ACSI scores of 69. Verizon Communications FiOS (68) and DISH Network (67) follow. DISH Network may be the lowest-scoring satellite TV company, but it is better than the top-scoring cable company, Cox Communications (-3% to 63).

Cable giants Comcast and Time Warner Cable have the most dissatisfied customers. Comcast falls 5% to 60, while Time Warner registers the biggest loss and plunges 7% to 56, its lowest score to date.

“Comcast and Time Warner assert their proposed merger will not reduce competition because there is little overlap in their service territories,” says David VanAmburg, ACSI Director. “Still, it’s a concern whenever two poor-performing service providers combine operations. ACSI data consistently show that mergers in service industries usually result in lower customer satisfaction, at least in the short term. It’s hard to see how combining two negatives will be a positive for consumers.”

Internet Service Providers at Rock Bottom Without Much Incentive to Improve

High prices, slow data transmission and unreliable service drag satisfaction to record lows, as customers have few alternatives beyond the largest Internet service providers. Customer satisfaction with ISPs drops 3.1% to 63, the lowest score in the Index.

At an ACSI score of 71, Verizon’s FiOS Internet service continues to lead the category, surpassing AT&T, CenturyLink and the aggregate of other smaller broadband providers, all at 65. Cable-company-controlled ISPs languish at the bottom of the rankings again. Cox Communications is the best of these and stays above the industry average despite a 6% fall to 64. Customers rate Comcast (-8% to 57) and Time Warner Cable (-14% to 54) even lower for Internet service than for their TV service. In both industries, the two providers have the weakest customer satisfaction.

Samsung Emerges as New Champ in Cell Phones, Verizon Pulls Ahead in Wireless

Customer satisfaction with cell phones is up for a second straight year, rising 2.6% to a new all-time high ACSI score of 78. Steady growth in the use of smartphones, which have much higher levels of customer satisfaction, helps drive the overall industry gain. However, as data usage increases, costs to access overloaded networks are high, leaving customer satisfaction with wireless service providers stagnant at an ACSI score of 72.

While Apple still sells nearly twice the number of smartphones in the United States as its nearest competitor, Samsung now comes out on top in one critical metric— customer satisfaction. Samsung surges 7% to an ACSI score of 81, beating Apple in overall customer satisfaction for the first time. Smartphones are becoming more dominant in Samsung’s cell phone product mix, pushing its satisfaction score higher. Apple declines for the second year in a row (-2% to 79), and the field is getting tighter, with Motorola Mobility and Nokia (now Microsoft) both at 77. BlackBerry has seen its market share nearly vanish, but satisfaction climbs to 74 (+7%) for those customers that remain.

“Samsung has gone from up-and-comer to top-of-the-heap on the strength of its smartphone portfolio,” says VanAmburg. “Apple’s magic isn’t gone, but the luster has dulled on its older models. Each iteration improves on the last, but Apple’s year-long product refresh cycle is an eternity when a new Android phone seems to be released every week.”

Among wireless phone providers, Verizon Wireless separates from the pack after climbing 3% to 75. T-Mobile (69), Sprint (68) and AT&T Mobility (68) are tightly grouped behind. As

smartphone adoption continues to grow, network demands increase along with costs to the consumer, each contributing to stagnant customer satisfaction.

“Consumers once used their cell phones primarily for talking, whereas now smartphones are becoming lifestyle accessories that we just can’t live without,” says Fornell. “But these powerful devices rely on networks that are still playing catch-up with consumer demand.”

Only the Most Satisfied Fixed-Line Phone Customers Remain

Customer satisfaction with fixed-line telephone service dips 1.4% to an ACSI score of 73, but remains the most satisfying of all types of telecommunications. However, the score is due to shrinking landline usage. As more households abandon fixed-line service for cell phones, the customers that remain tend to be the most satisfied.

PCs Dwindle but Microsoft Still Computer Software Giant

Computer software customer satisfaction is stable at an ACSI score of 76. Microsoft inches up 1% to 75, as does the aggregate of smaller software makers, but not enough to impact the industry as a whole. The rise of tablets and mobiles remains a challenge for traditional software makers looking to appeal to a new generation of consumers.

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

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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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