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ACSI: Customers Loathe Pay TV and ISPs, Love Their Smartphones

Comcast and Time Warner Cable Lower the Bar; AT&T and Verizon Lead ISPs; Apple and Samsung Tie; Prepaid Provider TracFone Wireless Debuts at Top

ANN ARBOR, Mich., (June 2, 2015) – Customer satisfaction with information services – including subscription TV, Internet, wireless and fixed line telephone, and computer software – drops 3.4 percent to an ACSI score of 68.8 on a 0 to 100 scale, the lowest level in seven years. According to the American Customer Satisfaction Index, customer satisfaction with subscription TV service deteriorates further, tying Internet service providers (ISPs) at 63 – the worst score among 43 industries covered by the Index. ACSI data, which is based on 14,176 customer surveys collected in the first quarter 2015, show the decline results from poor customer service combined with higher prices.

“There was a time when pay TV could get away with discontented users without being penalized by revenue losses from defecting customers, but those days are over,” says Claes Fornell, ACSI Chairman and founder. “Today people have more alternatives than ever before. Consumer abandonment of pay TV is shaking up the industry and lower satisfaction could mean even more cord cutting by subscribers ahead.”

The ACSI report includes ISPs, subscription television service, fixed-line and wireless telephone, and computer software. The report also covers cell phones, part of the durables sector, as well as detailed data for the top-selling smartphone brands available to U.S. consumers.

Subscription TV: Cable Companies Crash

The ACSI reports huge drops in customer satisfaction for Comcast and Time Warner Cable, following their failed merger. Already one of the lowest-scoring companies in the ACSI, Comcast sheds 10 percent to a customer satisfaction score of 54. Meanwhile, Time Warner Cable earns the distinction as least-satisfying company in the Index after falling 9 percent to 51. Joining Time Warner Cable in the basement is ACSI newcomer Mediacom Communications (51), which serves smaller markets in the Midwest and South.

With a 4 percent gain to an ACSI score of 71, Verizon’s FiOS service takes the lead from DIRECTV (-1% to 68) and AT&T’s U-verse (unchanged at 69). Cablevision Systems enters the ACSI as the highest-scoring large cable company; however, it only ties the lowest-scoring satellite provider, DISH Network (67).

Charter Communications (+5% to 63) is going on a merger binge of its own with plans to acquire Time Warner Cable and Bright House Networks (65), which would make it the second-largest cable TV company in the country. Although Charter shows the most improvement in the industry, it may be difficult to maintain customer satisfaction momentum as the company combines operations with other providers. ACSI data suggest that mergers usually result in lower customer satisfaction, at least in the short term.

“Cable companies are trying to strengthen their positions through consolidation, but the benefits to consumers of one coaxial cable company absorbing another are questionable,” says David VanAmburg, ACSI Director. “The AT&T-DIRECTV merger may be different, however, because it would allow AT&T to deliver TV service via multiple technologies.”

Lack of Choice Leaves Customers Dissatisfied With ISPs

Sixty-one percent of U.S. households have just one or no high-speed Internet provider servicing their region and the lack of customer choice contributes to weak customer satisfaction. Even as Internet usage grows, customer satisfaction with ISPs remains unchanged at an ACSI score of 63 and tied with subscription TV for last place among 43 industries. Customers are frustrated with unreliable service, slow broadband Internet speeds and rising subscription prices – and they resent being locked into service contracts.

Two large ISPs do improve and their gains are sizeable. AT&T (U-verse) picks up 6 percent to an ACSI score of 69, taking the lead from Verizon (-4% to 68). Time Warner Cable gains 7 percent to 58. Bright House Networks matches the industry average at 63; Cablevision Systems and Frontier Communications debut at 61.

Several ISPs suffer large drops in customer satisfaction, including CenturyLink (-8% to 60), Cox Communications (-9% to 58) and Charter Communications (-7% to 57). Comcast stays at the bottom of the category, slipping 2 percent to 56.

Apple Challenges Samsung for Cell Phone Lead; Customers Happiest With No-Contract Wireless Carriers

Customer satisfaction with cell phones is unchanged at 78, the highest score yet for the industry. The majority of new cell phones sold today are smartphones, which generally have higher satisfaction than feature phones. With some of the strongest scores in the entire ACSI, the two largest smartphone manufacturers lead the way: Apple and Samsung Electronics. Apple advances 1 percent to 80, going head-to-head with Samsung (-1%).

“Despite its high-scoring phones, Samsung may find it difficult to chip into Apple’s market share because of the need to overcome the brand appeal that is Apple’s mainstay,” says VanAmburg. “Samsung gained an initial advantage as the first manufacturer to introduce large screens for smartphones, but with the launch of large-screen phones by Apple, its loyal customers have little reason to look elsewhere.”

Nokia, whose devices and services business has been assumed by Microsoft Mobile, is down 3 percent to 75, falling behind Motorola Mobility (+3% to 79). For BlackBerry, only the most satisfied customers remain, which pushes its score up 5% to 78.

Apple may share the lead with Samsung in overall scores, but in terms of smartphone devices, Samsung’s Galaxy Note 4 takes the lead (86). Apple does not appear to have gained any advantage from the major redesign of its iconic iPhone in terms of user satisfaction. Several smartphones score 82: iPhone 6 Plus, iPhone 6, Galaxy S5 and Galaxy Note 3. Motorola's Moto X is next at 81, followed by the LG G3, iPhone 5 and Galaxy S4 (all 80).

Meanwhile, customer satisfaction with wireless telephone service is down 2.8 percent to 70. The aggregate of smaller wireless companies has the highest customer satisfaction and even shows slight improvement (+1% to 79). Smaller companies tend to be no-contract carriers with lower fees, which many customers see as better value.

In its first year as an ACSI-covered company, the prepaid phone provider TracFone Wireless takes the lead at 77. Verizon Wireless drops 5 percent to 71. Both T-Mobile and AT&T improve to tie at 70, while Sprint falls 4 percent to 65.

Fixed-Line Phone: No Longer Much of a Focal Point
Customer satisfaction with fixed-line telephone service falls 5.5 percent to 69 as landline usage continues to shrink; more than 44 percent of homes now forgo fixed-line service in favor of wireless.

Despite slipping 3 percent to 76, the average ACSI score of smaller local and long distance providers is much better than that of large providers. Vonage and Bright House Networks are near the top of the category (both 73). CenturyLink dips 1 percent to 70, while Verizon declines 7 percent to 68. Cox Communications drops 3 percent to tie Verizon and, just a notch below, Cablevision Systems enters the Index at 67.

AT&T's landline service suffers the most, down 10 percent to 65. Nevertheless, AT&T stays ahead of both Comcast (-4% to 64) and Time Warner Cable (-3% to 63).

Satisfaction With Computer Software Backtracks
Customer satisfaction with software for desktops and laptops is down 2.6 percent to 74 as the combined score for smaller software manufacturers (including TurboTax and anti-virus programs) drops 4 percent to 74.

Unchanged at 75, Microsoft still dominates the personal computer market, but consumers are turning to mobile and tablet devices where Microsoft has yet to get much traction. The company's apps are limited and MS maintains a fairly heavy concentration on traditional software for PCs and corporate systems.

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 300 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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