



ForeSee Results Annual E-Business Report

for the American Customer Satisfaction Index (ACSI)

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The annual ForeSee Results report on the American Customer Satisfaction Index (ACSI) e-business scores includes analysis of companies within the three measured e-business industries. Social media websites were included for the first time this year.

- **Social Media websites:** Facebook, MySpace, Wikipedia, and YouTube
- **Search Engines and Portals:** AOL, Ask, Bing, Google, MSN, and Yahoo!
- **News and Information websites:** ABCNews.com, CNN.com, FoxNews.com, MSNBC.com, NYTimes.com, and USAToday.com

Key Findings

Each of the following key findings is explored in further detail in the following analysis.

- **Social Media:** Customer satisfaction with social media sites is poor (70) as the industry enters the Index for the first time. It has the lowest industry aggregate score of any of the e-business or e-retail industries measured by the ACSI. Wikipedia leads the social media industry with a score of 77, which is 14 points above industry giant Facebook (64), a surprisingly low performer given its market presence.
- **News and Information Sites:** Customer satisfaction with news and information sites stays even this year at 74. The big news in this industry is the debut of FoxNews.com at the top of the heap with a score of 82, which is five points above nearest competitor USAToday.com (77). CNN.com brings up the rear (73).
- **Portals and Search Engines:** Customer satisfaction with portals and search engines dives 7% to 77 this year and is driven largely by a 7% decline for Google (down six points to 80). Bing was measured for the first time this year, and it makes a strong first showing with a score of 77, second only to Google.

Social Media: Wikipedia Wins; Facebook Falls Flat

For the first time in 2010, social media websites join the list of e-business industries and companies measured by the ACSI. Four of the social media sites with the greatest traffic and market share were individually measured.

While their presence in the marketplace is hard to ignore, the entrance of social media websites in the ACSI is lackluster; with an industry aggregate score of 70, the social media industry debuts as one of the lowest-scoring industries measured by the ACSI, surpassing only the notoriously low-scoring airline and cable/satellite television industries. (See Fig. 2).

Facebook

To put Facebook's and MySpace's scores (64 and 63 respectively) in perspective:

- The ACSI measures 30 online companies. Facebook and MySpace are the two lowest-scoring sites out of all 30.
- In total, the ACSI measures 223 companies (including both online and offline companies across all economic sectors and industries). Of those 223 companies, only 10 score a 65 or below, including Facebook and MySpace, which puts them in the bottom 5% of all measured private sector companies. The other companies that join Facebook and MySpace in the bottom 5% are all airlines and cable companies, which are two perennially low-scoring industries with terrible customer satisfaction.
- Of the 140 federal government agencies and websites measured by the ACSI, 11 score lower than 65 (including the IRS), which means 90% of federal government entities measured by the ACSI outscore Facebook and MySpace in terms of customer satisfaction.

Any way you slice it, Facebook and MySpace turn in an abysmal performance in this year's ACSI report. Customers are not satisfied with their experiences on these sites. When asked what they like least about Facebook,

Figure 1: Social Media ACSI Scores

| Social Media Site | 2010 Score |
|---------------------------|------------|
| Aggregate | 70 |
| Wikipedia.org | 77 |
| YouTube.com (Google Inc.) | 73 |
| All Others | 72 |
| Facebook.com | 64 |
| MySpace.com (News Corp.) | 63 |

Figure 2: Aggregate Comparison of Social Media to Other Industries

| Industry | Latest ACSI Score |
|--------------------------------------|-------------------|
| Personal Care & Cleaning Products | 85 |
| Soft Drinks | 85 |
| Automobiles & Light Vehicles | 84 |
| Breweries | 84 |
| Credit Unions | 84 |
| Pet Food | 84 |
| Electronics (TV VCR DVD) | 83 |
| Express Delivery (Consumer Shipping) | 83 |
| Food Manufacturing | 83 |
| Internet Retail | 83 |
| Apparel | 82 |
| Full Service Restaurants | 81 |
| Major Appliances | 81 |
| Athletic Shoes | 80 |
| Property & Casualty Insurance | 80 |
| Social Media | 70 |
| Airlines | 66 |
| Subscription Television Service | 66 |

*This table represents the highest-scoring ACSI industries (those 80 and above) and the lowest-scoring ACSI industries (those scoring 70 and below). The ACSI measures more than 40 industries in all.

survey respondents gave answers including privacy and security concerns, the technology that controls the news feeds, advertising, the constant and unpredictable interface changes, spam, navigation troubles, annoying applications with constant notifications, and functionality, to name a few. There is no shortage of complaints about Facebook.

However, according to July 2010 Hitwise data, Facebook is the number one website in the country, with 9% of all website visits (Google has 7.4% and Yahoo! 3.8%) and 55% of all social media visits. Facebook's market dominance in the U.S. and around the world is indisputable. How can it be so popular if people dislike it so much?

There are a few reasons Facebook can continue to have market success despite abysmally low customer satisfaction:

- Facebook has its own version of a monopoly. Although there are literally hundreds of social networking sites available around the world, Facebook has surged from 200 million global users 15 months ago to more than 500 million today, according to the New York Times. There really is no other choice for people wanting to connect with friends, family, and colleagues regardless of interest, age, geographic location, gender, etc.
- Our research shows that customer satisfaction with social media sites is somewhat age-related. Older people are less satisfied with Facebook than are younger people, who are less impacted by the privacy concerns and changes to the interface. Young people helped to make Facebook successful, and they like it a little better. However, the fastest-growing Facebook segments are all older adults, so higher satisfaction among young people will not carry the company far.
- Customers are willing to suffer through a poor experience in return for the benefits Facebook provides. This is a rare scenario in the American economy: usually customer satisfaction is intertwined with market success. The few exceptions to this rule (airlines, cable companies, and fast food) are operating in a sphere where there are no true standouts, so the bar is low. Should MySpace stage a comeback, or should any other competitor to Facebook deliver a truly superior customer experience, Facebook should have cause for concern. Right now, only Wikipedia and YouTube surpass Facebook in terms of customer satisfaction, and they are not in direct competition.
- One aspect of Facebook loyalty not often discussed is that it acts as a storehouse for many people's pictures and videos. So while the dollar cost of switching may not be high, the convenience cost would be.

Still, despite good reasons for Facebook's success in the face of poor customer satisfaction, the company should heed the millions of people signed up for various anti-Facebook groups on Facebook itself and improve the user experience while maintaining a profitable revenue model.

MySpace

It's less of a surprise that satisfaction with MySpace is low. Its market share is consistently declining in the face of competition from Facebook and other social networks. If people were satisfied with MySpace, it wouldn't have fallen so quickly so fast.

When asked what they like best about MySpace, most respondents mentioned 1) the ability to keep in touch with friends and family, or 2) the ability to share and find music. When asked what they liked least, there was a greater variety of responses, from “dull format” to “hard to use” to “Facebook is better.”

While MySpace has found its niche with music and entertainment, reports are that the company plans to stage a comeback to revive revenue and buzz under the helm of a new Chief Digital Officer. MySpace’s last place finish in a field that contains no impressive standouts should be a serious warning sign to the company. To have a fighting chance of survival, MySpace must focus first on what customers want.

With closest competitor Facebook right alongside MySpace at the back of the pack, the good news is that there is ample room for MySpace to stage a comeback. People are not satisfied with Facebook, and MySpace retains decent market share in the social media realm (11% compared to Facebook’s 54%, according to Hitwise) and name recognition. The stage is set for success, but with a customer satisfaction score of 63 and a hugely successful competitor, MySpace is not yet poised to take advantage and Facebook still has a near monopoly on hundreds of millions of users.

WHY SATISFACTION MATTERS

Customer satisfaction as measured using the American Customer Satisfaction Index (ACSI) is a proven predictor of financial performance. Academic research and corporate experience shows that satisfied customers are more loyal, more likely to engage in positive word-of-mouth recommendations, and more likely to buy in the future. This link has been proven on the macro-economic level, industry-wide, and at the company level. For example, a stock fund comprised of high-scoring ACSI companies has consistently outperformed the S&P 500, and the ACSI has consistently predicted ups and downs in consumer spending and the U.S. GDP.

Online businesses tend to know a lot about what customers or website visitors already did: which pages they clicked on, where they came from, how much they spent, and where they bounced. While e-businesses are often neck-deep in data, analysts and headlines focus on whether revenues are up or down. There is no question that all of these metrics – clicks, hits, and revenue – tell us a lot about the state of the e-business and e-commerce sectors, as does reviewing the rate and trajectory of growth or decline. However, there have typically been severe limitations to understanding what is fueling the growth or decline, conversions or cart abandonment, visitor loyalty, and changes in traffic. That’s where understanding customer satisfaction comes in.

Claes Fornell, a world-renowned economics professor at the University of Michigan, created a methodology that measures customer satisfaction in such a way that it predicts customers’ likelihood to shop again, buy more, or be loyal to the company in question. Used as a leading macro- and micro-economic indicator by governments around the world, the ACSI methodology has been proven again and again in extensive academic, peer-reviewed research to be a predictive indicator of customers’ future behaviors.

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Wikipedia

Wikipedia leads the social media pack with the highest score (77). When asked what they liked best about Wikipedia, survey respondents most frequently mentioned 1) ease of use, and 2) the variety, depth, and breadth of information available. When asked what they like least, most respondents answered that either 1) there was nothing they didn't like about the site, or 2) the credibility of user-generated information.

Wikipedia users are less frequent visitors when compared to other social media sites and tend to visit weekly or monthly, rather than daily. About one in five (20%) Wikipedia users visit daily (compared to the 57% of Facebook users who visit Facebook daily), but Wikipedia still enjoys a fairly loyal customer base, with a total of 65% of users visiting weekly or more often.

Wikipedia also receives high marks for its lack of advertising, especially when compared with the other three measured sites, all of which are heavy on advertising. Despite the lack of advertising (or maybe because of it), 15% of Wikipedia users seek out product recommenda-

Figures 3 & 4: Recommendations on Social Media Sites

| Do you seek out recommendations for products or services on this site? | | |
|--|-----|-----|
| Company | Yes | No |
| Facebook | 16% | 84% |
| MySpace | 14% | 86% |
| Wikipedia | 15% | 85% |
| YouTube | 17% | 83% |

| Have you ever purchased products or services that were recommended to you on this site? | | |
|---|-----|-----|
| Company | Yes | No |
| Facebook | 12% | 88% |
| MySpace | 8% | 92% |
| Wikipedia | 10% | 90% |
| YouTube | 14% | 86% |

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An article in the Journal of Marketing even highlights the connection between the ACSI and future stock prices: an ACSI-based portfolio has beaten the market for more than ten years in a row, whether the market is up or down. More specifically, companies that did well in the ACSI saw their stocks increase by 75% on average in 2009. In contrast, stock prices for those with declining ACSI scores rose 22% over the same period, which is slightly less than the 26% gain for the S&P 500.

The impact of online customer satisfaction on an e-retailer's business is quite clear. Based on surveys of more than 23,000 visitors to the top 100 e-retail websites, our research shows that when compared to a less satisfied visitor, a highly satisfied visitor is 73% more likely to purchase online, 47% more likely to purchase offline, 53% more likely to remain loyal, 72% more likely to recommend, and 66% more likely to be committed to the brand. This finding makes intuitive sense for many business leaders, but the ACSI is able to quantify the impact of a satisfied online shopper on a retailer's overall business operations.

Simply put, there is no better metric for predicting business success than the ACSI, which is why ForeSee Results uses the ACSI methodology for our clients and why we partner with the ACSI to review and analyze this data.

tions on the site, which is statistically on par with the other measured sites (see Fig. 2). Ten percent of users have purchased products or services that were recommended on Wikipedia (see Fig. 3), an impressive number for a site that actively polices and prevents blatant marketing efforts.

YouTube

With a score of 73, YouTube rests solidly above the industry average. This is good news, because while it might not be in direct competition with Facebook and MySpace for users, it is in competition for advertising dollars. Users of YouTube report much less annoyance and interference from ads than do users of Facebook and MySpace, though they also report that ads are less relevant to them. This data should help YouTube in the quest for more advertising dollars when they are up against other social media sites.

When asked what they like most about YouTube, survey respondents cited the variety of videos, the fun and humor the site provides, and the fact that the videos are free. When asked what they like least, respondents often mentioned navigation and search issues that make it difficult to find desired results and the large quantity of useless or uninteresting videos available on the site.

Other Social Media Findings

When we compare the scores of all the measured sites, two themes emerge:

- Commercialization of social media sites may be impacting satisfaction. The strategy of starting out as a free service with no advertising or revenue source is an effective way to build traffic and loyalty, as is evidenced across all of these sites. However, starting out that way also trained customers to expect an experience on these sites that is relatively unencumbered by advertising and commercialization. As most of these sites have transitioned to generating revenue, the resulting commercialization has brought severe downward pressure on customer satisfaction, which opens the door for challengers.

Finding the right balance between making money through intrusive advertising and satisfying customers is critical, especially in the social media sphere. We expect to see ads on a news website like CNN.com, but our expectations on a social media site are for far less intrusive marketing and commercialization. Wikipedia's non-profit model has allowed it to avoid the path of commercialization, and it is no coincidence that it has the highest satisfaction in this category. Of course sites like Facebook and MySpace need to make money, but the evolution from free content to a revenue model needs to be planned very carefully and executed flawlessly, while keeping in mind consumer expectations and needs at every turn. A big part of meeting those expectations is managing them from very early on in the maturity of the business model.

- Evolution is a better strategy than revolution when it comes to changing social media sites. Changes need to be well planned, tested, and executed. One of the most common complaints we saw about Facebook had to do with the frequent and unexpected changes to the interface. We are not recommending a static site experience with no changes; in fact, just the opposite. However, those improvements need to be better planned, executed, and communicated.

News & Information Sites: FoxNews.com Debuts at the Top

Satisfaction with online news and information sites stays even this year with a score of 74. Even though every individual site measured saw an increase, the All Others category declined. This category includes news sites not called out by name and measured individually by the ACSI, which are most often local newspaper and television sites.

Figure 5: News and Information ACSI Scores

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | % Change from Last Year | % Change from First Year |
|------------------------------|------|------|------|------|------|------|------|------|------|-------------------------|--------------------------|
| News & Information Aggregate | 73 | 74 | 75 | 75 | 73 | 75 | 75 | 74 | 74 | 0.0% | 1.4% |
| FoxNews.com | NM | NM | NM | NM | NM | NM | NM | NM | 82 | NA | NA |
| USATODAY.com | 71 | 72 | 72 | 72 | 74 | 72 | 73 | 74 | 77 | 4.1% | 8.5% |
| NYTimes.com | 71 | 70 | 72 | 72 | 72 | 73 | 75 | 73 | 76 | 4.1% | 7.0% |
| ABCNEWS.com | 74 | 74 | 74 | 74 | 73 | 74 | 75 | 71 | 75 | 5.6% | 1.4% |
| MSNBC.com | 73 | 74 | 74 | 73 | 72 | 74 | 76 | 73 | 74 | 1.4% | 1.4% |
| All Others | 73 | 75 | 75 | 78 | 74 | 77 | 76 | 75 | 73 | -2.7% | 0.0% |
| CNN.com | 72 | 72 | 74 | 72 | 74 | 73 | 73 | 71 | 73 | 2.8% | 1.4% |

The big surprise in this category is the debut of FoxNews.com at the top of the Index with a substantial lead over the other cable news networks (MSNBC.com at 74 and CNN.com at 73). The news and information industry has historically had tightly-clustered scores with very little differentiation among the various sites, but in its first year in the ACSI, FoxNews.com registers a score of 82, which is the highest score any news site has ever received in the past nine years of measurement.

Various factors have pushed FoxNews.com to the top of the customer satisfaction scorecard. It is common knowledge that Fox viewers lean to the ideological right, and our data suggests that they have a distinct, loyal audience, which usually correlates with higher satisfaction. Our research shows that FoxNews.com readers are slightly older, on average, and have lower income and education levels. In addition, they have higher loyalty to FoxNews.com and rely much more on FoxNews.com as their primary source for news compared to visitors to other sites and news sources (who tend to rely on multiple sources). All of these factors could lead to differing expectations. Satisfaction is highly influenced by the expectations a visitor has; it's easier to satisfy people who visit fewer sites regularly because they may have less experience and therefore lower expectations. Another possible contributor to its success is that FoxNews.com seems to have successfully translated the personality of its on-air brand to its website.

USAToday.com registers the second-highest score ever received by a news and information site with a 77, up three points and 4% from last year, when it was the only news site to see an increase in satisfaction. ABCNews.com has a nice year-over-year increase but remains in the middle of the pack, while CNN trails at 73.

These websites are all competing for advertiser dollars with the search engines and portals also measured in this report. Ask.com, Bing, MSN, Yahoo!, and Google (discussed below) all outperform or match the news and information websites in terms of customer satisfaction. Since customer satisfaction predicts loyalty, return visits, and even engagement, a site with higher customer satisfaction can deliver more value to its advertisers.

Other facts of note uncovered in this research:

- Compared to the other measured news sites, ABCNews.com users visit the site least often (21% visit daily) while NYTimes.com users visit most frequently (35% visit daily).
- NYTimes.com readers prefer web news over other news sources (46% get at least half of their news online) while FoxNews.com readers prefer to get their news on television (40% of FoxNews.com readers prefer television news to other news sources).
- Users of USAToday.com, MSNBC.com, and NYTimes.com monitor more total news sources than users of ABCNews.com, CNN.com, and FoxNews.com.
- NYTimes.com users are most willing to consider paying for content on the site (9% of users would consider paying for content on that site) while only 2% of MSNBC.com users would consider it.
- Fox has the most loyal following: 63% of site users see Fox as their primary news source, while their ideological counterpart, MSNBC.com, serves as the primary news source for only 49% of their website visitors, online or offline. The site whose audience was least likely to consider it their primary news source, however, was USAToday.com (39%).
- Website visitors pay more attention to ads on USAToday.com and ABCNews.com than the other measured sites: 15% of USAToday.com users and 14% of ABCNews.com users pay attention to ads compared to 10% of visitors for both CNN.com and FoxNews.com.
- USAToday.com, NYTimes.com, and FoxNews.com are credited by their site audiences with more relevant ads than the other measured sites.

Search Engines and Portals: Google Falter; Bing Makes an Impressive Entrance

Since Google's inclusion in the Index in 2002, it has been the industry leader in customer satisfaction every year but 2007 (when it was temporarily overtaken by Yahoo!) and this year when it has been overtaken by the All Others category. The All Others category (dominated this year by niche websites like Dogpile, GoodSearch, MyPoints, and Swagbucks) outscores Google by two points this year.

Google falls an incredible six points and 7% this year, matching its lowest score ever in 2002, which was the first year this category was included in the ACSI. However, it still edges out closest competitor Bing, which makes a strong debut at 77 and just three points behind.

Figure 6: Portals and Search Engines ACSI Scores

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | % Change from Last Year | % Change from First Year |
|------------------------------------|------|------|------|------|------|------|------|------|------|-------------------------|--------------------------|
| Portals & Search Engines Aggregate | 68 | 71 | 72 | 76 | 77 | 75 | 80 | 83 | 77 | -7.2% | 22.2% |
| All Others | 72 | 78 | 78 | 77 | 78 | 75 | 76 | 78 | 82 | 5.1% | 22.4% |
| Google | 80 | 82 | 82 | 82 | 81 | 78 | 86 | 86 | 80 | -7.0% | 0.0% |
| Bing | NM | NM | NM | NM | NM | NM | NM | NM | 77 | NA | NA |
| Yahoo! | 76 | 78 | 78 | 80 | 76 | 79 | 77 | 77 | 76 | -1.3% | 2.7% |
| MSN | 72 | 74 | 75 | 75 | 74 | 75 | 75 | 75 | 75 | 0.0% | 5.6% |
| AOL | 59 | 65 | 67 | 71 | 74 | 67 | 69 | 70 | 74 | 5.7% | 32.1% |
| Ask.com | 62 | 69 | 71 | 72 | 71 | 75 | 74 | 74 | 73 | -1.4% | 17.7% |

Google may be suffering from trying to be too many things to too many people, as is evidenced by the superior performance of the All Others category with its niche players. In fact, when asked what they like least about Google, survey respondents commonly mentioned issues like advertising, overwhelming search results, privacy concerns, and too many special features (like maps and shopping).

After all, Google's drop would be less worrisome if Bing hadn't made such a strong debut in the Index; after Google's score of 80 still makes it a top performer according to the ACSI (a category that includes the roughly one-third of measured companies that score 80 or higher). Last year in this report, when Google was riding high and Bing was a new player, we said it would be tough for Bing to challenge the high satisfaction scores and market dominance of Google. But with the marketing power of Microsoft behind it and a customer satisfaction score that presents a strong challenge, it looks more and more like Bing has a fighting chance. Bing has shown a desire to be innovative, taking a page from the Google strategy. Most recently Bing has announced the ability to let users locate and watch TV shows without leaving the Bing site. However, Google is still a strong company with a customer-centric DNA and a history of innovation. It is well within their grasp to pull their scores back into the mid-eighties by next year.

Meanwhile, AOL sees a 6% year-over-year increase to match its previous record of 74 from 2006. It also sees a 32% increase in satisfaction since it was first measured in 2002. Usually when an industry laggard sees increasing satisfaction, it's because all of its customers have left except for the truly loyal and satisfied base. With the increase, AOL has cut Google's lead in half from 12 points last year to six points this year.

Other findings of note:

- Google has the most loyal following with 80% of its users citing it as their primary search engine.
- AOL users have the oldest average age. Yahoo! users are youngest as a group.
- Thirty percent of the Google users surveyed reported having used Bing in the last month while 56% of the Bing users surveyed reported having used Google in the last month.

About the Author

Larry Freed is an expert on web effectiveness and web customer satisfaction. He is also President and CEO of ForeSee Results, a market leader in customer satisfaction measurement on the web, which utilizes the methodology of the American Customer Satisfaction Index (ACSI).

About ForeSee Results

As the leader in online customer satisfaction measurement, ForeSee Results captures and analyzes online voice of customer data to help organizations increase sales, loyalty, recommendations, and website value. Using the methodology of the American Customer Satisfaction Index (ACSI), ForeSee Results identifies the improvements to websites and other online initiatives with the greatest ROI. With more than 50 million survey responses collected to date and benchmarks across dozens of industries, ForeSee Results offers unparalleled expertise in customer satisfaction measurement and management.

ForeSee Results, a privately held company, is headquartered in Ann Arbor, Michigan, has offices in London and Vancouver, and can be found online at www.ForeSeeResults.com. ForeSee Results is the ACSI's e-commerce and e-business partner.

About the 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 200 companies in 44 industries and 10 economic sectors, as well as more than 130 federal government departments, agencies, and websites. Results are released on a monthly basis with all measures reported using a 0-100 scale.

ACSI data have proven to be strongly related to a number of essential indicators of micro and macro-economic 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 and is supported in part by ForeSee Results, corporate sponsor for the e-commerce and e-business measurements.