

# ACSI

# American Customer Satisfaction Index<sup>®</sup>

## ABOUT ACSI

The American Customer Satisfaction Index (ACSI<sup>®</sup>) 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 250,000 customers annually as inputs to an econometric model for analyzing customer satisfaction with more than 380 companies in 46 industries and 10 economic sectors, including various services of federal and local 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 several 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. At the macro level, customer satisfaction has been shown to be predictive of both consumer spending and GDP growth.

**Full-Service  
Restaurants**  
81 ▲ +3.8%

**Limited-Service  
Restaurants**  
80 ▲ +1.3%



**June 26, 2018**

# ACSI RESTAURANT REPORT 2018

INDUSTRY RESULTS FOR:

**Full-Service Restaurants**

**Limited-Service Restaurants**

## Americans Happier With Restaurants as Consumer Preferences Shift

Customer satisfaction with dining out is up, boosting the Accommodation and Food Services sector by 1.8% to a score of 79.4 on the American Customer Satisfaction Index's (ACSI®) 100-point scale. The improvement is evident across both full-service and limited-service restaurants and comes at a time when Americans spend more than half of their food budget on dining out, with annual restaurant sales projected at \$799 billion. At the same time, major chains face increasing competition from smaller, independent operators as well as grocery stores that now offer prepared foods.

As Millennials gain spending power, their preferences shift the industry landscape—from more demand for fresh, organic ingredients to new ways to order and deliver food. In response, restaurants are revamping menus and investing in new technology (for example, smartphone apps and automated kiosks), as well as adding curbside and third-party delivery services. During the past five years, restaurant revenue from deliveries increased by 20% as a growing number of consumers favor at-home dining.

### FULL-SERVICE RESTAURANTS

Customer satisfaction with full-service restaurants rises 3.8% to an ACSI score of 81, reversing a loss from one year ago. The improvement is driven by an increase in customer satisfaction with smaller chains and independent restaurants that comprise the majority of the industry, but also by gains for 6 of 12 major chains.

Texas Roadhouse takes over the lead with a 1% rise to 83. The steakhouse supplants Cracker Barrel, which drops 4% into a three-way tie for second place at 81. While the industry overall suffers from a decline in foot traffic, Texas Roadhouse shows gains in both revenue and sales, driven by increased traffic in the first quarter of the year.

Millennials spend more money dining out than any other demographic group and smaller chains are doing a good job of satisfying them (81). Spending at independent chains grew at a clip of 8.3% at the end of 2016 compared with 2.4% year over year for national chains.

Another steakhouse contender, Darden's LongHorn Steakhouse, matches Cracker Barrel and the group of smaller restaurants at 81. For LongHorn, a 5% gain takes the chain from below industry average to second place. Over the past few years, LongHorn reduced menu options while increasing steak size, which seems to have paid off in guest satisfaction. Darden sister brand, Olive Garden, comes in third place at 80 (-1%).

**ACSI: Full-Service Restaurants**

Company	2017	2018	% Change
<b>Full-Service Restaurants</b>	<b>78</b>	<b>81</b>	<b>3.8%</b>
Texas Roadhouse	82	83	1%
All Others	78	81	4%
Cracker Barrel	84	81	-4%
LongHorn Steakhouse (Darden)	77	81	5%
Olive Garden (Darden)	81	80	-1%
Outback Steakhouse	80	79	-1%
Red Lobster	81	79	-2%
Red Robin	73	79	8%
TGI Fridays	76	79	4%
Applebee's	79	78	-1%
Chili's	77	78	1%
Ruby Tuesday	78	78	0%
Denny's	76	77	1%

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ACSI (0-100 Scale)

Several chains fall below the industry average with scores ranging from 77 to 79. Four congregate at 79: Outback Steakhouse, Red Lobster, Red Robin, and TGI Fridays. For Outback (-1%) and Red Lobster (-2%), small losses this year move them from above average to below average. TGI Fridays goes in the opposite direction, up 4% to 79. The chain has overhauled its menu and returned more to its roots as a bar, including testing alcohol delivery. Fridays shows strong improvement in both beverage quality and beverage variety this year, according to ACSI data.

Red Robin posts the biggest gain in the industry, up 8% to 79. The company has focused on menu innovation, along with online ordering and call center support. Off-premise sales rose 40% year over year in the first quarter. ACSI data show improvement for Red Robin across the customer experience—from beverage and food quality to staff courtesy and service speed.

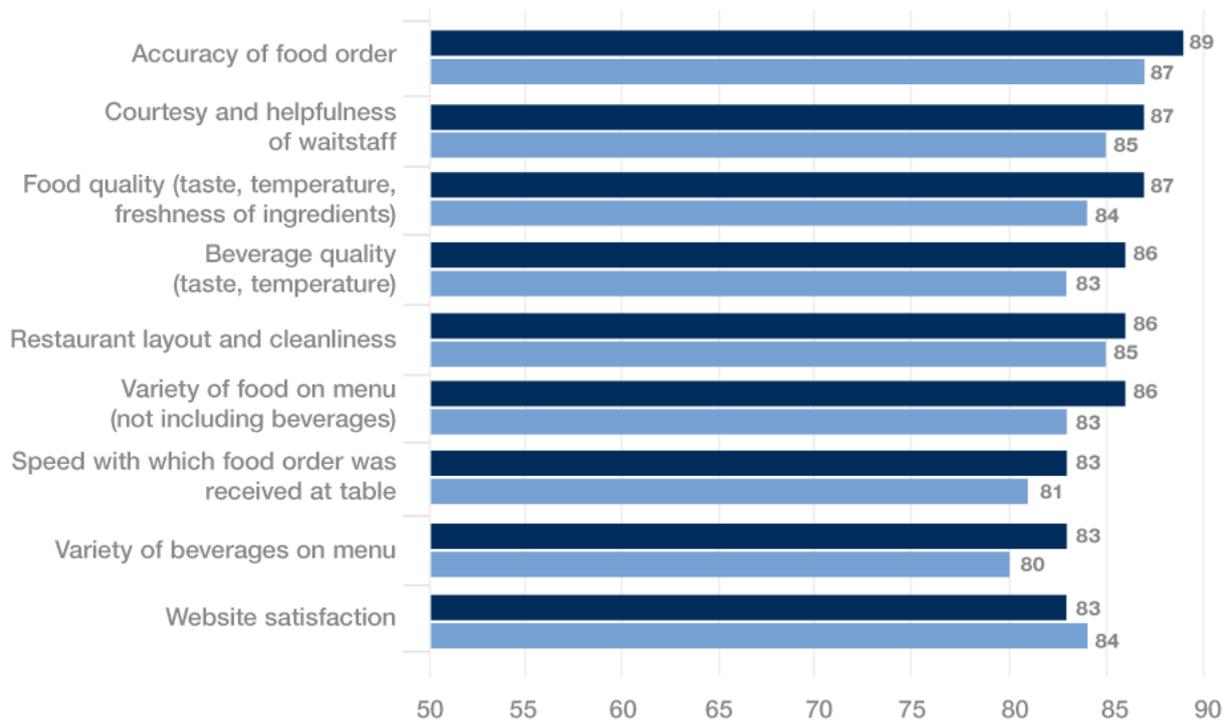
The lower end of the industry is occupied by Applebee's (-1%), Chili's (+1%), and Ruby Tuesday (unchanged), all with scores of 78. For Chili's, a 40% menu item reduction has yet to differentiate the chain from major competitors such as Applebee's in customer satisfaction. Just a point below, Denny's (+1%) takes last place at 77.

Full-service restaurants have improved across nearly all aspects of the customer experience. Food order accuracy remains a strong point with a score of 89, up 2% relative to a year ago. Restaurant staff are more courteous and helpful (+2% to 87). Changing consumer taste preferences, mostly due to Millennials, lean toward healthier options and customization. Restaurants are responding as both food quality (+4% to 87) and food variety (+4% to 86) show strong gains. Likewise, beverage quality (86) and variety (83) are much better this year.

Restaurant layout and cleanliness rates well at 86 and continues to exceed the fast food industry (84). Food-to-table service is quicker (+2% to 83), albeit lagging fast food check-out/delivery speed at 84. The only element to weaken for the full-service category is website satisfaction (83). This may warrant attention as online ordering continues to gain traction with customers and off-premise dining becomes more critical for boosting sales.

### Full-Service Restaurants Customer Experience Benchmarks Year-Over-Year Industry Trends

■ 2018 ■ 2017



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## LIMITED-SERVICE RESTAURANTS

Fast food continues to do well by its customers, as satisfaction tips up 1.3% to an ACSI score of 80, just a point below the full-service restaurant industry. A year ago, fast food—an industry with about \$200 billion in annual sales—surpassed sit-down dining in customer satisfaction for the first time in ACSI history. This year, full service bounced back with improvements across the customer experience. Nonetheless, the leading limited-service companies perform at a level equal to—and even far above—the full-service leaders. In fast food, most major chains are stable or showing only minor changes of +/- 1%.

Chick-fil-A continues to exhibit superior customer satisfaction, scoring 87 for the third year in a row. The chicken specialist dominates the rankings with the highest score across both restaurant categories, and its food quality continues to rate higher than the competition. Chick-fil-A maintains a wide lead over chicken rival KFC, as the Yum! Brands chain slips 1% to 77.

### ACSI: Limited-Service Restaurants

Company	2017	2018	% Change
<b>Limited-Service Restaurants</b>	<b>79</b>	<b>80</b>	<b>1.3%</b>
Chick-fil-A	87	87	0%
All Others	82	82	0%
Panera Bread	82	81	-1%
Papa John's	82	80	-2%
Pizza Hut (Yum! Brands)	76	80	5%
Subway	81	80	-1%
Arby's	80	79	-1%
Chipotle Mexican Grill	79	79	0%
Domino's	78	79	1%
Dunkin' Donuts	79	78	-1%
Starbucks	77	78	1%
KFC (Yum! Brands)	78	77	-1%
Little Caesars	78	77	-1%
Wendy's	76	77	1%
Burger King	77	76	-1%
Jack in the Box	75	74	-1%
Taco Bell (Yum! Brands)	76	74	-3%
McDonald's	69	69	0%

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ACSI (0-100 Scale)

The group of all other smaller fast food chains takes second place, steady at 82, just ahead of third-place Panera Bread (-1%) at 81. Like Chick-fil-A, the fast-casual chain has been a consistent top-tier performer, with guest satisfaction in the 80s for four years.

Among pizza purveyors, the battle for customer satisfaction is tightening as Papa John's and Pizza Hut deadlock with ACSI scores of 80. Domino's (+1% to 79) also closes in on Papa John's, which was the sole pizza leader in 2017. Little Caesars, the fourth largest pizza maker, trails its bigger rivals with a below-average score of 77 (-1%). While Papa John's slips 2%, with comparable sales down 5.3% in the year's first quarter, the chain still matches the industry average for customer satisfaction.

Meanwhile, Pizza Hut's customer satisfaction surges 5%—the biggest ACSI gain in the category. Pizza Hut is one year into parent Yum! Brands' \$130 million revitalization investment. Changes for the brand include a new rewards program and improvements in equipment, technology, and marketing. According to Pizza Hut customers, these efforts appear to be working. Yum! Brands made a similar investment in KFC in 2015, which also paid off in higher customer satisfaction as KFC's score jumped 7% in 2016.

Along with the pizza leaders, sandwich specialist Subway (-1%) meets the industry average of 80, with Arby's close by at 79 (-1%). Coffee experts Dunkin' Donuts and Starbucks are tied at 78, as small ACSI changes erase Dunkin' Donuts lead from a year ago.

Chipotle Mexican Grill scores 79 for a second straight year, still leveling off following a large decline in 2016. Chipotle's financials continue to improve, but customer satisfaction has not yet returned to the loftier levels prior to the company's food safety crisis. Yet, Chipotle's lead over Taco Bell strengthens this year. Taco Bell experiences a 3% drop in customer satisfaction to 74 and finds itself well below sister Yum! Brands chains (KFC and Pizza Hut).

Burger chains inhabit the lower end of the fast food industry as well. Wendy's (+1% to 77) and Burger King (-1% to 76) swap positions this year after BK briefly held an advantage in 2017. Jack in the Box slips 1% to 74 and McDonald's continues to anchor the industry's bottom at 69 for a third year. The world's largest fast food company is expanding its menu to include healthier choices as well as more value-driven items. Customers seem to be taking notice as McDonald's rating for food variety has gone up, but not enough to boost satisfaction overall.

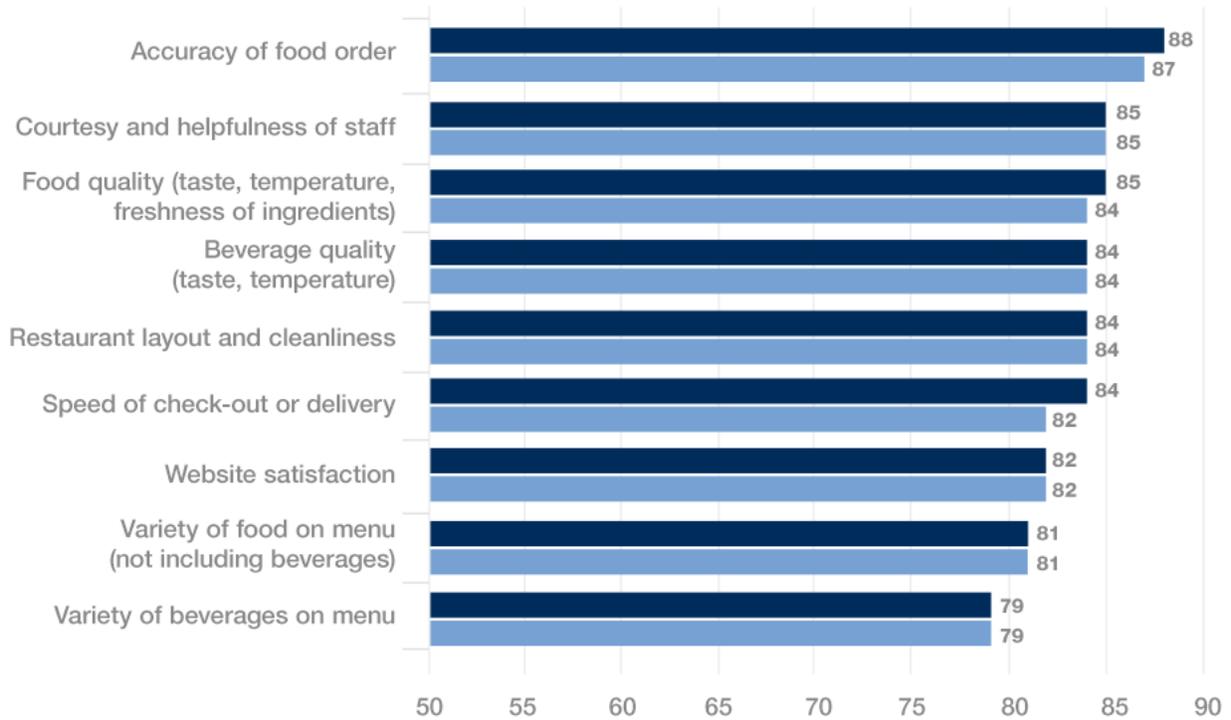
Over the past three years, the four burger chains have exhibited flat—or nearly flat—customer satisfaction. Guest enthusiasm for legacy burger chains appears to be stuck at a level well below the industry average. As in the full-service segment, these well-known names are focusing on attracting and holding a younger demographic through technology—from investing in automated kiosks to exploring mobile fast pass lanes. It will be interesting to see if such efforts will amp up customer satisfaction in the future.

Fast food customers consider order fulfillment highly accurate and it remains by far the top-rated aspect of the fast food experience (+1% to 88). Staff do a good job of serving customers (85) and food quality is improving (+1% to 85).

The element that improves the most is also the industry’s reason for being: speed of check-out or delivery. Service speed is up by 2% to 84. Unlike the full-service segment, beverage quality has not improved (84) and beverage variety is somewhat lacking (79 compared to 83 for full service). Food variety is at the lower end of the spectrum, steady at 81. Website satisfaction, unchanged at 82, is close to that of full-service restaurants (83).

**Limited-Service Restaurants  
Customer Experience Benchmarks  
Year-Over-Year Industry Trends**

■ 2018 ■ 2017



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## ABOUT THIS REPORT

The *ACSI Restaurant Report 2018* on full-service and limited-service (fast food) dining chains is based on interviews with 22,522 customers, chosen at random and contacted via email between June 19, 2017, and May 29, 2018. Customers are asked to evaluate their recent experiences with the largest sit-down and fast food restaurants in terms of market share, plus an aggregate category consisting of “all other”—and thus smaller—restaurants in those industries.

The survey data are used as inputs to ACSI’s cause-and-effect econometric model, which estimates customer satisfaction as the result of the survey-measured inputs of customer expectations, perceptions of quality, and perceptions of value. The ACSI model, in turn, links customer satisfaction with the survey-measured outcomes of customer complaints and customer loyalty. ACSI clients receive confidential industry-competitive and best-in-class data on all modeled variables and customer experience benchmarks.

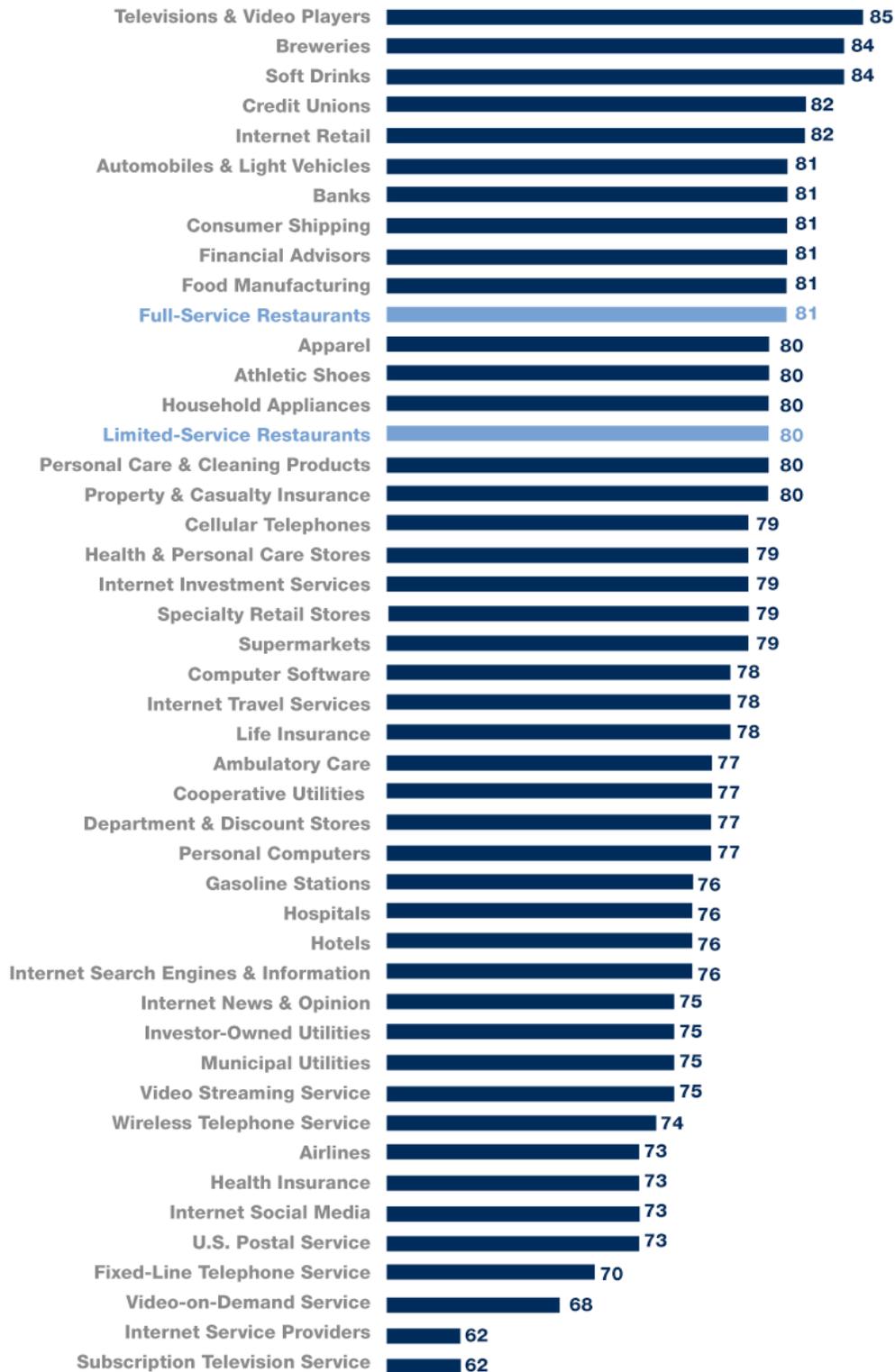
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## Customer Satisfaction Benchmarks by Industry



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