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# DEVELOPING AN INDEX OF CONSUMER SATISFACTION

by  
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The Economic Research Service became involved in developing an Index of Consumer Satisfaction following a detailed evaluation of traditionally used measures of market performance such as value added, productivity, profit rates and market structure variables. This investigation concluded that while these measures were extremely useful, they all focused on the input side rather than the output side of the market. While we can measure the growth of our economy, efficiency of resource use, and product flows, we have virtually no information indicating the extent consumers feel the products and services available to them actually conform to their preferences and needs. Yet in our economy, consumer satisfaction is one of the ultimate goals of market activity.

To date, there has been no systematic attempt to periodically monitor a wide cross section of consumers as to their relative level of satisfaction with goods and services supplied by either the private or public sector. While the interplay of market forces is generally relied upon to match market alternatives to consumer preferences, rising consumer restlessness and complaints indicate that in many cases, traditional market signals are either not sufficiently sensitive, inadequately communicated, or are misinterpreted. The Index of Consumer Satisfaction (ICS) attempts to supplement traditional market signals with direct feedback from consumers.

The ICS would provide an additional

perspective or dimension to balance traditional economic, accounting, and engineering measures of performance. In effect, it measures the perceived extent to which product and service alternatives desired by consumers are not incorporated into any specific choice in the market place. On a macro basis, the ICS can be viewed as a social indicator reflecting, over time, changes in satisfaction with specific and general aspects of our market economy.

Satisfaction is measured on a five-point scale ranging from "very satisfied" (A) to "not at all satisfied" (E). Using nonmetric scaling techniques to transform this rank order information into numerical scales, indices are developed for overall satisfaction with an entire market basket of food products and services; for individual product classes, for example, meat; and for individual products, for example, fresh beef. These indices can also be disaggregated by various socio-economic groups and by geographic regions.

Having pilot tested the ICS, ERS is now working to operationalize the ICS on a national basis. A survey of 1,500 households selected from a national probability sample will be conducted this winter. The questionnaire will cover six food product classes, about twenty-five individual products, and include both open-end and pre-specified questions. Upon evaluation of initial results, plans are to conduct periodic surveys to monitor changes over time.