

JACOBSON
CUSTOMER SATISFACTION SURVEY

Mill Customers Feel the Pain of High Steel Prices

Steel mill customers are growing increasingly dissatisfied with steel prices that seem far too high.



Photo courtesy SSAB

TODAY'S HIGH STEEL PRICES have created a wave of dissatisfaction among steel buyers. Throughout 2008, mill customers—including service centers and end-users—cited high prices and tight availability as the areas where mills most need to improve.

According to the latest data from Jacobson & Associates, which conducts a continuous census survey of steel mill customers (see Methodology on page 22), the number dissatisfied with prices spiked to 42 percent in the June-

CHART 1

The Leaders

TOP-RATED MILLS BY PRODUCT CATEGORY

SHEET—North Star Bluescope
PLATE—SSAB North American
BAR/STRUCTURALS—Nucor Marion
TUBE—Hanna Steel
BEAMS—Nucor Berkeley
STAINLESS SHEET—AK Specialty Steels

August 2008 period (see Chart 2). This is the highest level of price dissatisfaction since the Jacobson Survey began in 1994.

Recent tight market conditions have shifted the focus of customers more towards price and availability and lessened their focus on quality and other considerations.

Mills rated the highest by their customers in the past year include: North Star Bluescope, SSAB North American, Nucor Marion, Hanna Steel, Nucor Berkeley and AK

Specialty Steel (see Chart 1).


High levels of dissatisfaction may pose risks to the future health of North American steel mills. When markets soften, customers may well shift their business to the mills they feel treated them most fairly when the market was tight. Mills with particularly high levels of customer price dissatisfaction run the greatest risk of getting hurt when the steel cycle turns down.

The higher the price they charge, the greater the threat of substitution facing North American steel producers. High prices prompt customers to seek out alternatives in the form of imported steel or another material that can substitute for steel. Historically, steel industry downturns have been exacerbated by customers making product substitutions. While customers may not have options when markets are tight, they tend to remember how well—or poorly—they were treated when pricing power shifts their way.

CHART 2

Where Do Mills Need Most Improvement?

PERFORMANCE ATTRIBUTE	2008	5-YEAR AVG.
Price	42%	32%
Delivery	25%	28%
Inventory Availability	18%	14%
Service & Attitude	17%	18%
Quality	7%	12%
Rolling Schedule	7%	5%
Communication	4%	5%
Web site	2%	2%
Lead Times	7%	2%

 Forty-two percent of mill customers consider price to be the performance attribute most in need of improvement, up from the five-year average of 32 percent.

Most people in the steel industry understand all too well that they operate in a cyclical business. While mills have been able to sell everything they can make for some time now, this will not last. At

CHART 3

Overall Customer Satisfaction

TOP SHEET MILLS		TOP BAR/STRUCTURAL MILLS		TOP PLATE MILLS	
SERVICE CENTERS	END-USERS	SERVICE CENTERS	END-USERS	SERVICE CENTERS	END-USERS
North Star Bluescope	The Techs	SDI Roanoke	Nucor Marion	SSAB North	SSAB North
The Techs	Gallatin	Nucor Auburn	Nucor Auburn	American	American
USS Mon Valley Works	USS-POSCO	Gerdau Iowa	Nucor Texas	Evrax Canada	Nucor Hertford
USS-POSCO	Nucor Decatur	Nucor Nebraska	Nucor Nebraska	Nucor Hertford	Nucor Tuscaloosa
ArcelorMittal Dofasco	North Star BlueScope	Cascade Steel	Gerdau Charlotte	Nucor Tuscaloosa	
Nucor Decatur	Nucor Arkansas	Nucor Jackson	Gerdau Whitby	Evrax Claymont	
Nucor Crawfordsville	Steel Dynamics	CMC Steel Texas	Gerdau Kentucky		
ArcelorMittal Riverdale	Severstal Sparrows Point	Nucor Texas	Nucor Seattle		
Nucor Arkansas	Severstal Warren	Nucor Utah	SDI Roanoke		
Severstal Sparrows Point	Severstal Warren	Gerdau Jackson	Nucor Utah		
USS Midwest	ArcelorMittal IH East				
AK Steel	AK Steel				
	ArcelorMittal Dofasco				

Note: Data covers period from Sept. 1, 2007, through Aug. 31, 2008. Customers use a 10-point scale to measure their level of satisfaction with supplier quality, delivery, price, service and overall performance, where 10 is "Very Satisfied" and 1 is "Very Dissatisfied."

CHART 4

Most Improved Mills

OVERALL CUSTOMER SATISFACTION BY PRODUCT CATEGORY

SHEET PRODUCERS	BAR/STRUCTURALS
Steel Dynamics	CMC South Carolina
ArcelorMittal Cleveland	Gerdau Minnesota
Worthington Steel	CMC Alabama
ArcelorMittal Burns Harbor	Kentucky Electric
USS Canada	Nucor Kankakee
ArcelorMittal Dofasco	Nucor Marion
AK Steel	Bayou Steel
Severstal Sparrows Point	Nucor Nebraska
ArcelorMittal Riverdale	Gerdau Charlotte
Nucor Decatur	Gerdau Whitby
USS Midwest	SDI Roanoke
USS Mon Valley	Gerdau Cambridge

CHART 5

Customer Loyalty

TOP-RATED SHEET PRODUCERS

ArcelorMittal IH West
 USS Midwest Works
 ArcelorMittal Hennepin
 The Techs
 USS Granite City
 ArcelorMittal Burns Harbor
 USS Great Lakes
 CSI
 ArcelorMittal Weirton
 Steel Dynamics

TOP-RATED BAR/STRUCTURALS PRODUCERS

Gerdau Cambridge
 Kentucky Electric
 Gerdau Jackson
 Nucor Nebraska
 Gerdau Kentucky
 Nucor Seattle
 Gerdau Charlotte
 Gerdau Iowa
 CMC Steel Texas
 Nucor Utah

TOP-RATED PLATE PRODUCERS

ArcelorMittal Coatesville
 Nucor Hertford
 SSAB North American

some point, negotiating power will shift back towards customers, who will be looking for the best deal to meet their needs—with our without North American steel. Customer satisfaction and market development efforts by the steel industry are as important now, even with prices near record levels, as at any

Methodology

Jacobson & Associates conducts a continuous census survey of more than 2,000 major steel customers in the United States and Canada, including service centers and end-users. The Jacobson Survey stands as an objective, third-party measure of steel customers' satisfaction with their mill suppliers. Customers use a 10-point scale to measure their level of satisfaction with supplier quality, delivery, price, service, inside sales, outside sales and overall performance. Jacobson producers separate reports on sheet producers, plate producers, minimill producers, stainless sheet producers, tube producers and beam producers. This article is based on survey data for the 12 months ending Aug. 31, 2008.

time. It is truly in the long-term interest of steel producers to satisfy customers throughout the steel/economic cycle.

Customer comments

Where do steel suppliers need the most improvement? This sampling of customer comments from June through August reveals the widespread dissatisfaction with current steel price levels and mill pricing policies:

- "Get surcharges under control."
- "They are all taking advantage of us [on price]."
- "Mills need to do more contract pricing."
- "Consolidation has not resulted in more price stability as expected."
- "Adequate floor stock, more advance notice of price increases."
- "Provide firm, competitive pricing—current pricing is forcing bridge designers to look at other materials."
- "Prices are excessive, they have gone beyond greedy and will hurt the nation."
- "Price and availability—it is difficult to get any plate these days because of heavy military priorities."
- "Pricing needs to level off."
- "We have had a price increase for five

months in a row!"

- "Surcharges are unpredictable—they won't give us more than a month notice."
- "Pricing is on a month-to-month basis, and we never know what it will be in 60 to 90 days when they deliver."
- "They need to feel my pain as prices rise monthly, and then drop suddenly."
- "Meet promised availability and delivery dates."
- "Maintaining the quality; it seems that when the mills are full and are rolling steel at increasing numbers, quality tends to take a back seat."
- "People in customer service do not have the power to fight for us to get our steel on time."
- "They all got fat and forgot about customer service."
- "Be better partners with service centers as prices fluctuate."

Bio

John Jacobson is president of Jacobson & Associates, Lake Forest, Ill. The Jacobson Survey has been measuring steel customer satisfaction since 1992. Additional information on Jacobson & Associates is available at www.jacobson-steel.com or by calling 847-735-7250.