



JACOBSON/METAL CENTER NEWS  
CUSTOMER SATISFACTION SURVEY

# Tight Steel Market *Strains* Supplier-Customer Relations

With prices going up, and lead times stretching out, supplier-customer relationships are being put to the test. In today's tight market, customers have placed a premium on dependability of supply and honest communication regarding availability and delivery.

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**O**ver the past year, successful steel suppliers have distinguished themselves by helping customers deal with the demands of steel scarcity. Overall, however, satisfaction levels are down among mill customers—both

end-users and service centers—particularly regarding price and delivery.

By definition, due to the unprecedented market conditions, suppliers have been unable to satisfy the requirements of all customers. Most have focused on meeting the needs of their best customers first. The greatest levels of dissatisfaction have occurred in cases where suppliers have been slow to communicate their inability to deliver on their commitments.

The gap in service and delivery scores between the top and bottom competitors has widened, as the top suppliers have provided honest communication and solid results while others have been unable to deal

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# Customer Satisfaction Survey

with the stress of tight market conditions. In fact, this market stress has resulted in price and delivery satisfaction scores for certain suppliers dropping to record lows in the Jacobson survey (see Chart 2).

The steel market of the past year has created more disfavor for those suppliers who have not kept up with customer needs than kudos for those suppliers who have been able to contend with the stresses of market tightness.

Which mills have gotten the highest marks from their distributors? Overall, for the year ended Aug. 31, mills rated highest by service centers in four main product categories include: North Star Bluescope, Beta Steel, Roanoke Electric Steel, IPSCO Iowa, Nucor Hertford and Nucor-Yamato Steel Co. (see Chart 1).

## CUSTOMER SATISFACTION: SHEET PRODUCERS

During the extreme market conditions of the past year, many customers have placed increased emphasis on supplier characteristics such as loyalty, integrity and reliability. Strong suppliers have solidified their relationships with major customers by standing by their agreements, delivering when promised and only accepting orders they can fulfill.

Every customer has been confronted with sharply higher prices, but suppliers have handled the bad news regarding price and availability in different ways. Lack of availability has forced end-users to scramble to keep their production lines fed and service centers to scramble to maintain sufficient inventory. The mills that have done the best job of justifying their price hikes and surcharges tend to have the most satisfied, or at least placated, customers.

Sheet mills ranked highest in overall customer satisfaction by service centers include: North Star Bluescope, Beta Steel, Gallatin Steel, Dofasco, Nucor Berkeley and WCI Steel (see Chart 3). Following is a representative sampling of comments from service centers about these top sheet suppliers:

- “North Star Bluescope has loyalty in business and quality in their metal. The other mills should take notes.”
- “Beta Steel is a major supplier due to their reliability and integrity.”
- “Gallatin Steel makes a nice product, and they are

one of the few that keep their promises.”

- “Dofasco is a steady force; they market their products well.”
- “Nucor Berkeley is a good partnering mill; their personnel are their best resource.”
- “WCI Steel is service-oriented; they really care and work hard to get our business.”
- “Algoma has very good control over their order book and good delivery performance.”

Certain steel producers have worked to create more effective methods to meet the specific needs of end-use customers in the automotive, construction and container industries. End-user suppliers generally have strong technical support, good lines of communication, and a track record of developing



## Chart 1

The Leaders

## Service Centers Rank the Mills

Top-Rated Mills by Product Category

**Sheet**—North Star Bluescope, Beta Steel (tie)

**Merchant Bar/Structurals**—Roanoke Electric Steel

**Plate**—IPSCO Iowa, Nucor Hertford (tie)

**Beam**—Nucor-Yamato Steel Co.

*Source: Jacobson & Associates Customer Satisfaction Survey for the 12 months ending Aug. 31, 2004.*

mutually beneficial partnerships with customers.

Sheet mills ranked highest by end-use customers include: Gallatin, Dofasco, AK Steel, WCI Steel, Algoma Steel, and Nucor-Berkeley (see Chart 3).

## CUSTOMER SATISFACTION: PLATE

Plate mills ranked highest by service centers include: IPSCO Iowa, Nucor Hertford, Nucor Tuscaloosa and IPSCO Alabama. (see Chart 4).

IPSCO Mobile, Nucor Hertford and Oregon Steel have shown the most improvement in their overall satisfaction scores from service centers since last year's Jacobson survey update. Here's what a few service center customers say about these top plate suppliers:

## Methodology

**Jacobson & Associates conducts a continuous census survey of more than 2,200 major steel customers in the United States and Canada—including service centers and end-users—which stands as an objective, third-party measure of steel customers' satisfaction with their mill suppliers. This article is based on survey data for the 12 months ending Aug. 31, 2004.**

**Customers use a 10-point scale to measure their level of satisfaction with supplier quality, delivery, price, service and overall performance. Jacobson compiles separate reports on sheet producers, plate producers, minimill producers, tube producers and beam producers.**

## Chart 2

### Sheet Suppliers Satisfaction Gap - 2004

(Highest Satisfaction Score vs. Lowest Satisfaction Score - % Difference)

Attribute	Highest Score	Lowest Score	2004 Gap - %	2003 Gap - %
Overall Satisfaction	8.1	6.5	25%	27%
Quality Satisfaction	8.6	6.9	25%	31%
Service Satisfaction	8.5	6.4	33%	31%
Price Satisfaction	8.2	6.1	34%	28%
Delivery Satisfaction	8.1	5.1	59%	48%

(Note: 2004 data covers the period Sept. 1, 2003, through Aug. 31, 2004. 2003 data covers the period Sept. 1, 2002, through Aug. 31, 2003.)

▲ Price and delivery satisfaction scores for certain suppliers dropped to record lows in 2004, widening the gap between the high and the low scores in this year's survey. Respondents rate each attribute on a 10-point scale.

*The greatest levels of dissatisfaction have occurred in cases where suppliers have been slow to communicate their inability to deliver on their commitments.*

- "IPSCO Iowa kept us competitive during the hard times."
- "Nucor Hertford is helpful and they communicate well regarding availability."
- "Product quality, deliveries and availability are what I like most about Nucor Tuscaloosa; they are very good and reliable."

## Chart 3

### Top Sheet Mills

Overall Customer Satisfaction

Service Centers	End-Users
1. North Star Bluescope	1. Gallatin Steel
2. Beta Steel	2. Dofasco
3. Gallatin Steel	3. AK Steel
4. Dofasco	4. WCI Steel
5. Nucor Berkeley	5. Algoma Steel
6. WCI Steel	6. Nucor Berkeley

Source: Jacobson & Associates Customer Satisfaction Survey for the 12 months ending Aug. 31, 2004.

- "IPSCO is customer-oriented; their people are always available to serve you."

Plate mills ranked highest by end-users include: Nucor Tuscaloosa, CitiSteel USA, IPSCO Iowa and Nucor Hertford (see Chart 4).

## CUSTOMER SATISFACTION: BEAMS

Highly efficient and generally responsive beam producers have made beam customers among the most satisfied of any steel product category.

Over the past 12 months, Nucor-Yamato has edged Nucor Steel-Berkeley for the top satisfaction ranking among beam producers. Nucor-Yamato is No. 1 in quality and delivery while Nucor Berkeley is No. 1 in service satisfaction.

## CUSTOMER SATISFACTION: TUBE

The top tube suppliers over the past year include Southland Tube, Hanna Steel and Independence Tube.

Tube producers are particularly affected by the ups and downs in the steel market. Soaring sheet prices put tube producers in the uncomfortable

## Chart 4

### Top Plate Mills

Overall Customer Satisfaction

Service Centers	End-Users
1. IPSCO Iowa	1. Nucor Tuscaloosa
2. Nucor Hertford	2. CitiSteel USA
3. Nucor Tuscaloosa	3. IPSCO Iowa
4. IPSCO Alabama	4. Nucor Hertford

Source: Jacobson & Associates Customer Satisfaction Survey for the 12 months ending Aug. 31, 2004.



position of paying more for their sheet feedstock and then attempting to pass on their higher costs. Not surprisingly, tube customer satisfaction with price and on-time delivery are down sharply over the past year.

## CUSTOMER DISSATISFACTION

Not all comments from respondents were positive. Asked about areas of dissatisfaction with steel suppliers in general, steel customers said:

- “Mills need to change their attitude; they really don’t care.”
- “Get rid of short-term thinking.”
- “We sell in the world market; the mills need to be more competitive.”
- “[Mills need a] more realistic pricing structure.”
- “Mills should be more sales driven rather than production driven.”
- “Price should be improved. There is no competition; they are all like hogs.”
- “Communication regarding rollings; notifications of short shipments.”
- “Holding prices and meeting deliveries.”
- “It would be great if the mills would standardize the weight of coils from mill to mill.”
- “Delivery, within one week of the promised date.”
- “We would like uniform pricing; I don’t want to spend a lot of time negotiating.”
- “Get the price structure in line with reality or it will cause an imbalance in the world market.”
- “[Mills] need to improve the information for the customer on their web sites.”
- “[Mills need a] better attitude and communication; nowadays it’s ‘take it or leave it,’ which is not much fun.”
- “More effort in relationship and partnership building; it’s lost in today’s market.”
- “Training program for inside sales reps; right now all they do is answer the phone.”
- “Better packaging”
- “Overall reliability, primarily lead times and deliveries.”
- “Work toward zero defects, maintain consistency of product.”
- “Integrity. It doesn’t exist anymore, but we still look for it.”

Superior performers get to know the needs of their customers and then work like mad to deliver on those needs. Honesty and integrity in making agreements that can be met, and then following through, are crucial to maintaining strong supplier-customer relationships. The severe market conditions of the past year have placed special emphasis on responsiveness and dependability. Those suppliers who have failed to be consistently responsive and dependable have been penalized with lower satisfaction scores. ■