

# Distinction vs. Extinction



In an economy where many steel mills have failed, and a majority are struggling, the most successful are those most closely attuned to the specific needs of service centers and other customer groups.

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**S**truggling steel companies that have failed to align with their customers often attempt miraculous comebacks by getting the customer satisfaction religion after decades of inattentiveness. But healthy firms make customer satisfaction a priority on a consistent basis, through the thick and thin of the business cycle, and not just when they are in financial trouble.

Over the long haul, customer satisfaction is the result of effective management, efficient operations and creative marketing that combine to favorably distinguish a company from its competitors. One company may choose to cater to the needs of a particular segment where “100 percent on-time deliv-

ery” is crucial. Another may target a customer group that sees “zero defects” as the most highly prized supplier attribute.

Superior performers identify customer needs and then deliver on those needs. The 2003 Jacobson Customer Satisfaction Report shows that superior performers achieve overall customer satisfaction levels that are at least 10 percent higher than their closest competitors. Companies with consistent customer satisfaction performance also tend to have the healthiest financial status.

Overall, for the year ended Aug. 31, the mills rated highest by service centers in four main product categories include North Star BHP, Roanoke Electric Steel, CitiSteel USA Inc. and Nucor-Berkeley (see Chart 1).

## CUSTOMER SATISFACTION: FLAT-ROLLED

In the flat-rolled steel business, the needs of service center customers often differ from the needs of end-user customers in such industries as automotive

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## Chart 1

### The Leaders Service Centers Rank the Mills

Top Rated Mills by Product Category

**Sheet-North Star BHP**

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

**Plate-CitiSteel USA Inc.**

**Beam-Nucor-Berkeley**

Source: Jacobson & Associates Customer Satisfaction Survey for the 12 months ending August 31, 2003.

and construction. For example, service centers place a premium on product availability and timely delivery, whereas end-users tend to have higher expectations concerning steel quality and product specifications. Proactive steel producers recognize the importance of understanding individual customer needs. Successful steel producers have created effective methods to meet the specific needs of their service center customers.

As a group, however, service center customers rate their sheet suppliers lower than do end-user customers. Service center buyers give their sheet suppliers an average overall satisfaction score of 7.2 on a 10-point scale vs. a 7.5 rating from end-users (see Chart 2). Service center customers give sheet suppliers lower scores across the board in quality, service, price and especially in delivery. In fact, delivery satisfaction for service center customers is more than 10 percent lower than for end-user customers. Top rated service center sheet suppliers tend to distinguish them-

## 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, 2003.)

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, merchant bar (MBQ) and structurals producers, and beam producers.

selves with high delivery scores and above average scores across all attribute categories.

Sheet mills ranked highest in overall customer satisfaction by service centers include: North Star BHP, Beta Steel, WCI Steel, Dofasco, Nucor-Berkeley and U.S. Steel-Mon Valley (see Chart 3). Here's a representative sampling of comments from service centers about these top sheet suppliers:

■ "North Star BHP is ultra professional; it is a company that believes in partnership, all handled creatively and efficiently."

■ "Beta is very good, price competitive, with fantastic service."

■ "WCI is a very good mill, quick to respond."

■ "Dofasco is our major supplier based on the contract we have in place, their quality and their reliable deliveries."

■ "Nucor-Berkeley has good product with good commercial and tech support."

■ "U.S. Steel-Mon Valley is very customer-oriented; they offer a very good product and are easy to work with."

*Superior performers achieve overall customer satisfaction levels that are 10 percent, or more, higher than their closest competitors.*

Certain steel producers have worked to create more effective methods to meet the specific needs of end-user customers in the automotive, construction and container industries. Sheet mills ranked highest by end-user customers include: Nucor-Hickman, Gallatin, Dofasco, U.S. Steel-Mon Valley, Nucor-Berkeley and ISG-Burns Harbor (see Chart 3). Here's what a few end-user customers say about these top sheet suppliers:

■ "Nucor-Hickman is true to their word."

■ "Gallatin is excellent; they have the best product development."

■ "Dofasco is a steady supplier with excellent people."

■ "U.S. Steel has exceptional account management and they are very competitive."

■ "Nucor-Berkeley is our major supplier based on their overall package of price, quality and delivery; they are partnership oriented."

■ "ISG is very progressive; they are here to stay."

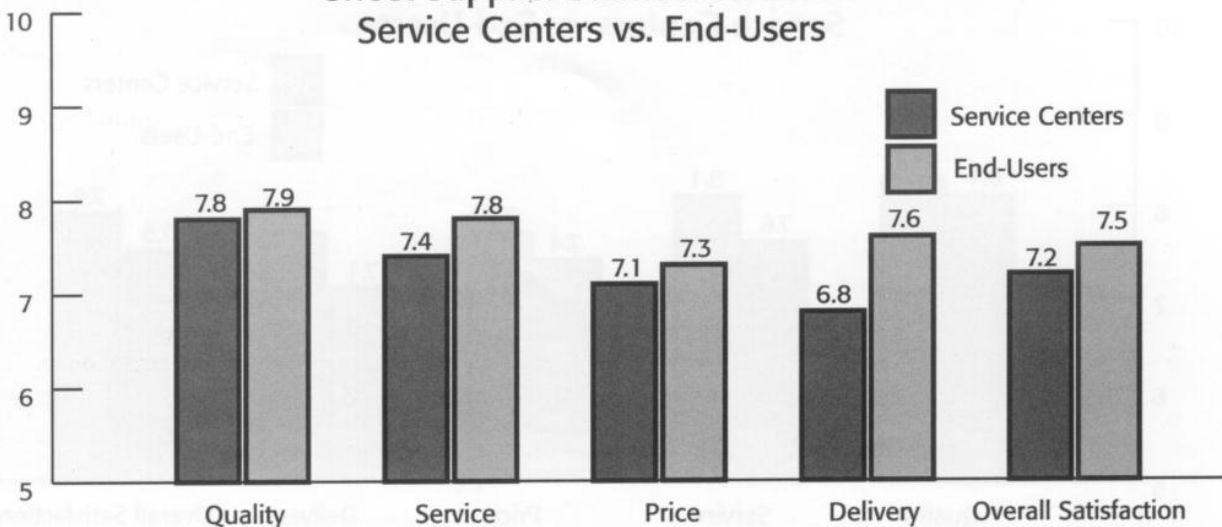
## CUSTOMER SATISFACTION: PLATE

Like in the flat-roll segment, service center customers as a group rate their plate suppliers lower than do end-user customers. Service center buyers give their plate suppliers an average overall satisfaction score of 7.5, compared to a rating of 7.9 from end-users, on a 10-point scale (see Chart 4).

Plate mills ranked highest by service centers include: CitiSteel USA Inc., Corus Tuscaloosa, Algoma and ISG (see Chart 5). Algoma and ISG have shown the most improvement in their

Chart 2

## Sheet Supplier Satisfaction Levels Service Centers vs. End-Users



Source: Jacobson & Associates Customer Satisfaction Survey for the 12 months ending August 31, 2003

Chart 3

### Top Sheet Mills

#### Overall Customer Satisfaction

| Service Centers          | End-Users                |
|--------------------------|--------------------------|
| 1. North Star BHP        | 1. Nucor-Hickman         |
| 2. Beta Steel            | 2. Gallatin              |
| 3. WCI Steel             | 3. Dofasco               |
| 4. Dofasco               | 4. U.S. Steel-Mon Valley |
| 5. Nucor-Berkeley        | 5. Nucor-Berkeley        |
| 6. U.S. Steel-Mon Valley | 6. ISG-Burns Harbor      |

Source: Jacobson & Associates Customer Satisfaction Survey for the 12 months ending August 31, 2003.

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:

- "CitiSteel is a niche player; they recognize and play to their strengths."
- "Corus Tuscaloosa is our major supplier since they have the best price and delivery."
- "Algoma is our major supplier based on their long-time performance for us."
- "ISG has handled the transition with Bethlehem Steel nicely from a marketing standpoint."

Plate mills ranked highest by end-users include: CitiSteel USA Inc., Corus Tuscaloosa, ISG and U.S. Steel-Gary (see Chart

5). Corus Tuscaloosa, U.S. Steel-Gary and Ipsco Inc. have shown the most improvement in overall satisfaction scores from end-users since last year's update.

Here's what a few end-user customers say about these top plate suppliers:

- "CitiSteel is a very good supplier with excellent service."
- "Corus Tuscaloosa has very strong management with good reps; they are very well rounded."
- "ISG is our major supplier based on their range of products."
- "USS-Gary is our major supplier due to their consistent price."

### CUSTOMER SATISFACTION: BEAMS

Highly efficient and generally responsive beam producers have made beam customers among the most satisfied of any steel product category. The three major beam producers, Nucor-Berkeley, TXI Chaparral and Nucor-Yamato, all have received customer satisfaction rates higher than 90 percent from both service centers and end-users.

Nucor-Berkeley is the only beam producer with a satisfaction rating for service greater than 85 percent. Steel Dynamics Inc. and Nucor-Berkeley are the highest rated for their pricing, with price satisfaction rates in excess of 80 percent.

### CUSTOMER LOYALTY: MBQ/STRUCTURALS

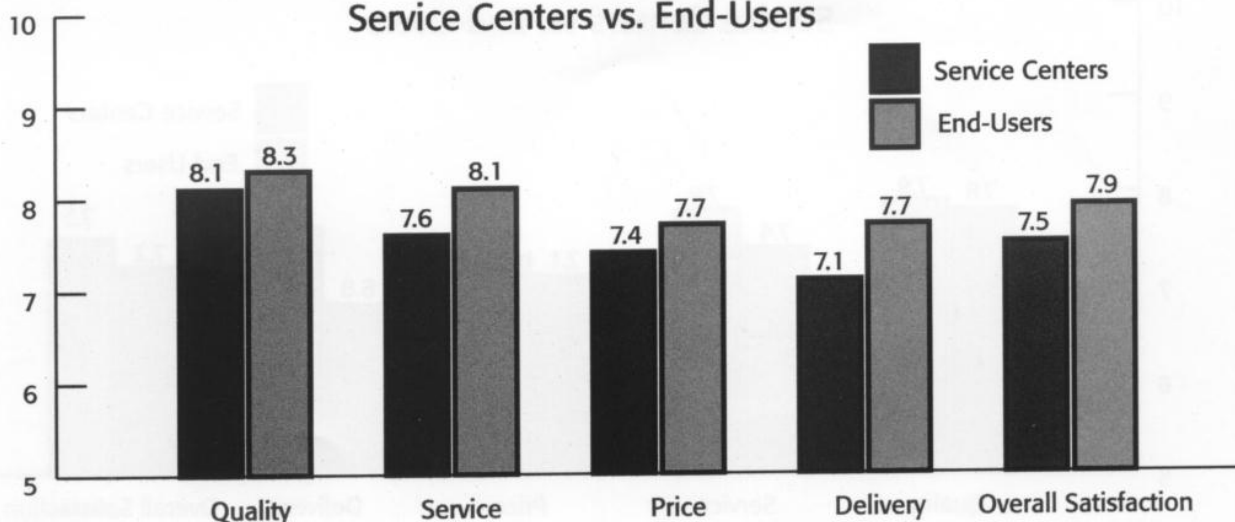
In each Jacobson survey, customers are asked to rate the likelihood they will be using each supplier in 12 months. Customers rate each supplier as either "very likely," "likely," "unlikely," or "unlikely" to be a supplier in a year's time. Responses are weighted—very likely = 1, likely = 0.5, unlikely = 0 and unlikely = -1—to calculate a loyalty index.





Chart 4

## Plate Supplier Satisfaction Levels Service Centers vs. End-Users



Source: Jacobson & Associates Customer Satisfaction Survey for the 12 months ending August 31, 2003

MBQ/Structurals producers have the highest loyalty indices of any product category. The Top 10 MBQ/Structurals producers in customer loyalty include:

1. Roanoke Electric Steel
2. Cascade Steel
3. Nucor-Utah
4. SMI Steel-Alabama
5. Nucor-Seattle
6. North Star Kentucky
7. SMI Steel-South Carolina
8. Nucor-South Carolina
9. North Star-Iowa
10. SMI Steel-Texas

### CUSTOMER DISSATISFACTION

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

- “[Mills need] more discipline and development of partnership relations to support their customer.”
- “[Mills need] more knowledgeable inside and outside salespeople. I have had badly trained salespeople quote me items that they cannot even produce.”
- “Steel producers need a better price structure. In other words, they shouldn’t charge everyone the same price.”
- “[Mills need] better decision making by upper management by looking at the long-term big picture.”
- “Don’t keep inventory at the mills—that would help the economy.”
- “Steel mills need to improve in efficiency, wages (union workers are overpaid) and pricing discipline.”
- “[Mills need] more responsiveness when special problems arise.”

Chart 5

## Top Plate Mills Overall Customer Satisfaction

| Service Centers       | End-Users             |
|-----------------------|-----------------------|
| 1. CitiSteel USA Inc. | 1. CitiSteel USA Inc. |
| 2. Corus Tuscaloosa   | 2. Corus Tuscaloosa   |
| 3. Algoma             | 3. ISG                |
| 4. ISG                | 4. U.S. Steel-Gary    |

Source: Jacobson & Associates Customer Satisfaction Survey for the 12 months ending August 31, 2003.

### CUSTOMER FOCUS

Company success is built on the foundation of satisfied customers. Understanding customer needs provides insights on where to devote time, effort and resources. Over the past decade, numerous steel producers have given in to the temptation to chase any and every business transaction, rather than focusing on providing the best solutions for specific customers or customer groups. Many of these unfocused companies have fallen by the wayside, while customer-focused steel producers have grown and prospered. Lack of attention to customers is the path to extinction. Understanding and delivering to specific customer needs is the path to distinction. ■