

# A fresh look at customer service in the steel industry

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**W**e believe that the evolution of customer service can be divided into three stages of development: Stage One is order taking. Stage Two is identifying customer needs. Stage Three is satisfaction plus.

This article is based on thousands of service center customer surveys performed by Jacobson & Associates over the past decade. The customer comments presented here and the customer satisfaction results shown at the end of this article are based on interviews with service center customers. However, the analysis of customer service presented here can be applied more broadly to nearly any business.

Constantly improving customer service and raising customer satisfaction creates stronger business results. Customer-based companies are capable of creating a win-win-win situation for shareholders and employees, as well as customers. Enhancements to customer service and improved cus-

tomers satisfaction are not overnight solutions to business challenges. Depending upon the size of the company, moving to higher levels of customer service may be a difficult and time-consuming process. However, lasting achievements in customer service will improve customer satisfaction and will ultimately pave the way for superior long-term financial performance.

## Stage One customer service— Order Taking

The first step in sales and marketing is to do some prospecting to find out who buys what you produce. For example, a mill producing steel tubing would want to talk with major tubing buyers such as Marmon Keystone. If you are selling sheet steel, you would want to get acquainted with companies along the supply chain to GM, Ford, DaimlerChrysler, etc. A mill producing bar products would want to be in contact with Castle Metals. A mill producing structural shapes would want to call on O'Neal Steel.

Stage One customer service involves matching the producing firm with the purchasing firm. Companies operating in Stage One take orders and ship products.

They generally don't worry much about what customers think. They are preoccupied with chasing the next order and collecting payment for the last shipment. A company operating at Stage One customer service is bound to be a commodity supplier. The building blocks of Stage One are cost control and fair pricing.

Companies stuck in Stage One are usually relegated to competing in the marketplace with the relatively crude arsenal of cut-rate pricing based on bare bones costs. Stage One suppliers generally

have little or no customer loyalty. Customers of a Stage One supplier are most likely to switch to a competitor with a "better deal." The low-cost strategy can generate above average financial returns only as long as your company has a distinctly lower production cost than your competitors. Over the long haul, companies who are mired in Stage One customer service can expect below average financial performance.

(Note: This is not to imply that competitive costs are not important to business success—especially in the steel industry. Low costs are necessary to compete but are not sufficient to achieve long-term superior results.)

## Stage Two customer service — Identifying Customer Needs

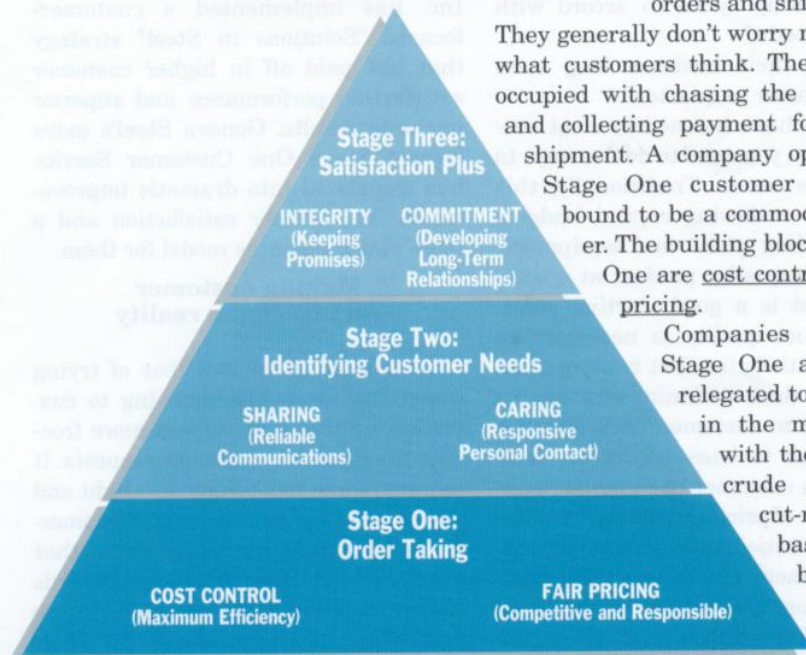
The second step to a successful customer service strategy is identifying customer needs. The most obvious categories of steel customer needs are things like steel shape and grade, quantity, delivery schedule and special processing requirements. These basic needs are necessary in targeting sales efforts but are not sufficient to develop loyalty and lasting commercial success. Outstanding customer satisfaction derives from listening to specific customer needs and **consistently** meeting or exceeding those needs.

It is tempting for companies to assume they know what customers want. Truly identifying customer needs requires constant listening. Following Dr. Stephen Covey's credo to "seek first to understand, then to be understood," can facilitate effectively determining customer needs. Listening is important at all levels of the organization. Stage Two customer service requires reliable communications and responsive personal contact.

## Jacobson & Associates hears from steel companies

For too many companies, customer feedback only comes in sporadic waves—usually when there is a problem. It is important to have continual

### CUSTOMER SERVICE PYRAMID Building Long-Term Success



feedback from as many sources as possible. Feedback from sales people is crucial not just for making today's sale but also for understanding what it would take to develop a long-term relationship. Feedback from technical support and operations people is also very important and can play a vital role in developing win-win partnerships. Third party information from the media, from other business associates and consultants can also assist in understanding customer needs.

**Customer comments provide insights for customer service**

The Jacobson & Associates Steel Customer Satisfaction Survey has produced some 20,000 customer comments over the past five years. Here is a sampling of what some service center customers of sheet producers had to say about what they would like their steel mill suppliers to do better. In our surveys, each major steel mill receives dozens of suggestions of what its customers would like them to improve. Some of these comments have been categorized into two elements of success within each stage of customer service as follows:

**STAGE ONE CUSTOMER SERVICE**

**Cost control—maximum efficiency**

"Better control of costs."

"The leaner the mills are, the more efficient they are. The more efficient they are, the easier it is to deal with them."

"Help us take costs out of the system."

**Fair pricing—competitive and responsible**

"Have responsible pricing policies."

"Smooth out price fluctuations."

"Be more competitive with world pricing."

**STAGE TWO CUSTOMER SERVICE**

**Sharing—reliable communications**

"Better projections of rollings."

"Provide better communication of problems."

"Do data reporting on a real time basis."

**Caring—responsive personal contact**

"Be proactive because service center purchasing managers are wearing more and more hats."

"Give us more ordering flexibility that would allow us to carry less inventory."

"Improve the quality of inside sales staff."

"Get back to us faster."

**STAGE THREE CUSTOMER SERVICE**

**Integrity—keeping promises**

"Set realistic delivery times and meet them. Be more reliable with roll and hold programs."

"Keep customers informed of promised dates that will be missed."

**Commitment—develop long-term relationships**

"Quote extended contracts."

"Establish centralized VMI (Vendor Managed Inventory) programs."

"Have rolling cycles in accord with customer needs."

"Operate their business long term and not quarter to quarter."

Once you have listened to what customers want, you need to devise ways to serve those needs. Traditionally, this has meant reviewing capital budgets and upgrading plant and equipment. Producing a quality product at a competitive cost is a good starting point. Good product quality is necessary to customer satisfaction but is more of an entry point than a winning strategy.

Listening to customers will open up opportunities to base service on their needs. Each customer has unique needs in the areas of pricing, delivery, inventory, communication, processing and product development. Customers value business relationships where their needs are met. For example, Worthington Industries has based its interactions

with customers on the Golden Rule of treating customers as they would like to be treated. The objective of Stage Two is developing a sharing and caring relationship with customers.

**STAGE THREE CUSTOMER SERVICE**

**Satisfaction plus**

Honest dealings with your customers will go a long way towards establishing loyalty and strengthening the foundation of your business. Delivery reliability offers a tremendous opportunity for building integrity and improving customer satisfaction. Customers don't care if you meet your **internal** shipping dates. Customers only care if they receive the product **when they need it**. Another area of opportunity is in inventory management. Suppliers who can meet the inventory needs of specific customers have the potential to create win-win partnerships.

MACSTEEL has created an enviable position in the SBQ (specialty bar quality) bar market by actively listening to customers and creating a distinctive product and service offering that has resulted in strong customer satisfaction and superior financial results. Dofasco Inc. has implemented a customer-focused "Solutions in Steel" strategy that has paid off in higher customer satisfaction performance and superior business results. Geneva Steel's move beyond Stage One Customer Service has translated into dramatic improvements in customer satisfaction and a more viable business model for them.

**Making customer satisfaction a reality**

Sometimes there is a fear of trying something new—like listening to customers, or giving employees more freedom to respond to customer requests. It requires some risk taking, foresight and power sharing to adopt a customer-focused business approach. Firms that have evolved their business towards higher stages of customer service have gained substantial rewards for their hard work. ■