

What makes customers unhappy

Steelmakers need to make more deliveries on time, buyers say. U.S. Steel Gary beats Bethlehem Burns Harbor in a head-to-head matchup of overall satisfaction

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The road to customer satisfaction is rocky and hard. Each firm should plan its journey carefully and be prepared for unanticipated obstacles. All employees need to constantly assess how well they are doing in attracting, satisfying, and retaining customers.

In 1996, Jacobson & Associates asked steel customers to rate steel suppliers' on-time delivery, quality, service, price, and overall satisfaction. Buyers ranked suppliers within specific product and market segments. Stainless flat-rolled customers ranked service centers No. 1 in overall customer satisfaction, although they gave service cen-

ters a last-place rating in price performance (see table, p. 3).

We also asked buyers to make head-to-head customer-satisfaction comparisons for more than 100 major suppliers. Customers of both Bethlehem Steel's Burns Harbor, Ind., and U.S. Steel's Gary, Ind., works rated Gary higher for overall satisfaction. U.S. Steel Gary tied Bethlehem Burns Harbor in on-time delivery and had higher price and service ratings. This offset higher quality ratings for Bethlehem Burns Harbor (see table, p. 2).

Bethlehem Burns Harbor received higher ratings for quality in head-to-head matchups with 5 out of 6 of its competitors. Burns Harbor was +20 percent vs. Bethlehem Sparrows Point, +38 vs. Geneva Steel, +4 vs. Inland, +15 vs. LTV Hennepin Works, -4 vs. LTV Indiana Harbor Works, and +6 vs. U.S. Steel Gary.

A number of common themes came forth from steel buyers during hundreds of recent interviews. The most prominent themes in 1996 were:

- "Get me the steel when I need it!"
- "Quality is the foundation for our relationship."
- "Service can set you apart from

other steel suppliers."

- "It all comes down to price."
- "The total package is what counts."

Steel mills' poor on-time delivery

Delivery is a major competitive strength for service centers compared to steel mills. In 1996, the performance gap in on-time delivery widened considerably in April and again in September. It narrowed considerably in December (see chart below).

The poor delivery performance by U.S. carbon flat-rolled mills was a boost not only for service centers but also for foreign mills in 1996. "This is the worst year for domestic steel companies in the past ten years in terms of delivery and quality," an OEM executive said in November. The OEM is a major buyer of carbon flat-rolled from AK Steel, Inland, LTV, National, and U.S. Steel.

Customer concerns with on-time deliveries spiked in late spring and again in late fall of 1996. Both these periods included significant production problems at major steelmaking mills because of equipment outages. Carbon integrated producers definitely got an earful regarding on-time product-de-

On-time delivery performance: Processors vs. steel mills

(Carbon sheet products, 1996)



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livery performance:

• "Quality and delivery has been a real problem for our company," said a major buyer of carbon flat-rolled in April. "U.S. Steel [Gary Works] is causing a lot of problems for us since they dropped their blast furnace. All of the big integrated mills need to work on their service quite a bit." This customer shifted much of his business to Russian suppliers during 1996.

• "My suppliers need to get the material to me when they said they would," said a stainless-sheet customer in July. "Also, all of my stainless-sheet suppliers have to improve their material handling. I don't want to see any scratches on the sheets." This customer buys stainless sheet from Reynolds, Washington Steel, Vincent, Tull Metals, and Samuel.

• "Promised deliveries are not arriving, and it's getting frustrating," said a midsize customer of Birmingham, North-western, and Roanoke in November. "All things being equal, we go by rolling dates; service is the next most important consideration since prices are the same."

• "Recently, I/N Tek had a major delivery problem, and we were left on the short end of the stick," a buyer said in July. "They should have informed us that they wouldn't be able to come through instead of trying to be accommodating without success."

• "AK Steel and Geneva Steel have a tendency to ship materials when they want to, resulting in incomplete shipments. This is a big concern to us."

Rising quality expectations

That quality is No. 1 is readily apparent in many customers' comments. For some customers, quality is so important that they don't have to remind their suppliers of this. For other buyers, quality is so important that they can't remind their suppliers enough. There is no question that customers' expectations regarding consistent quality are increasing:

• "We place a trial order and evaluate the quality, flatness, and whatever else is required," said a large carbon flat-rolled customer in the South in May. The customer recently

dropped Inland and added Steel Dynamics as a supplier.

• "I continue to try to make the mills understand that quality has to be a given—everything else starts from there," said an executive of an OEM in July. The company is a major buyer of engineered bar.

• "The quality of Gulf States' hot-rolled sheet has remained the same in the last 12 months," a carbon-sheet buyer said in June. "However, while it was acceptable a year ago, our quality standards have gone up." The company is a major customer of AK, Bethlehem Burns Harbor, Gulf States, and U.S. Steel Fairfield and Gary.

U.S. Steel Gary vs. Bethlehem Burns Harbor

U.S. Steel Gary's performance when customers compared it with Bethlehem Burns Harbor's.

Quality	-6
Service	+5
Price	+18
On-time delivery	Even
Overall satisfaction	+6

Note: Figures are based on the percentage of responses with head-to-head higher ratings minus the head-to-head lower ratings.

Customer service lags

Many steel customers emphasize how important service is to them. The quandary for steel suppliers is how to best satisfy customers' service expectations while differentiating themselves from their competitors. Product differentiation and building customer loyalty are easier said than done for steel suppliers.

• "Response time is the single most important issue to us in selecting a supplier," one customer said. The company buys structurals from Bayou, Chaparral, and Northwestern and plate from Oregon Steel and Gulf States.

• "Our suppliers must be competitive in price and quality and provide on-time delivery and inside customer service," a bar customer said. "I find customer service lacking in most companies today. We do not want to call our suppliers more than once for the same order."

• "Inland has not done the job for us at all," a buyer said in August. "Though their salesman is wonderful, their deliveries are not on time, and information is not being relayed back to us as it should be."

• "We are looking for on-time delivery and customer service, with price naturally being a leading factor. We were buying hot-rolled bar from North Star, but they weren't getting the job done for us, so we switched to Structural Metals. North Star was very uncaring about their customer service."

"Alro is a just-in-time company; their service could not be better," said one customer. Shown is stock at Alro.

"Alro is a JIT [just-in-time] company; their service could not be any better. SMI has great customer service also. Austeel [Auburn Steel] has great salespeople."

• "We almost dropped Geneva Steel earlier this year, but they made one heck of a comeback," a plate customer said in December. "Delivery has improved



tremendously, and Geneva has had the best service in the past few months.” The customer also buys plate from Bethlehem Burns Harbor, CitiSteel, Ipsco, and U.S. Steel Gary.

Is price king?

The \$64,000 question is whether all steel products are commodities. If so,

customers will tend to buy steel on the basis of who has the best price. A competitive price is a fundamental requirement for being a successful steel supplier. But value and total cost considerations are the real indications of the most effective suppliers.

• “Quality, on-time delivery, and competitive pricing are how we judge

our suppliers,” a stainless customer said. “We are looking for suppliers with the ability to work with us to reduce costs. Ryerson is one of our best suppliers because they are proactive in creating ways to reduce costs.”

• “As much as no one admits it, price is the driving force behind the orders,” a large bar customer in the automotive industry said in August. MacSteel is the company’s primary supplier. It also buys from CSC, Inland, North Star (Monroe, Mich.), Republic Engineered, and Timken.

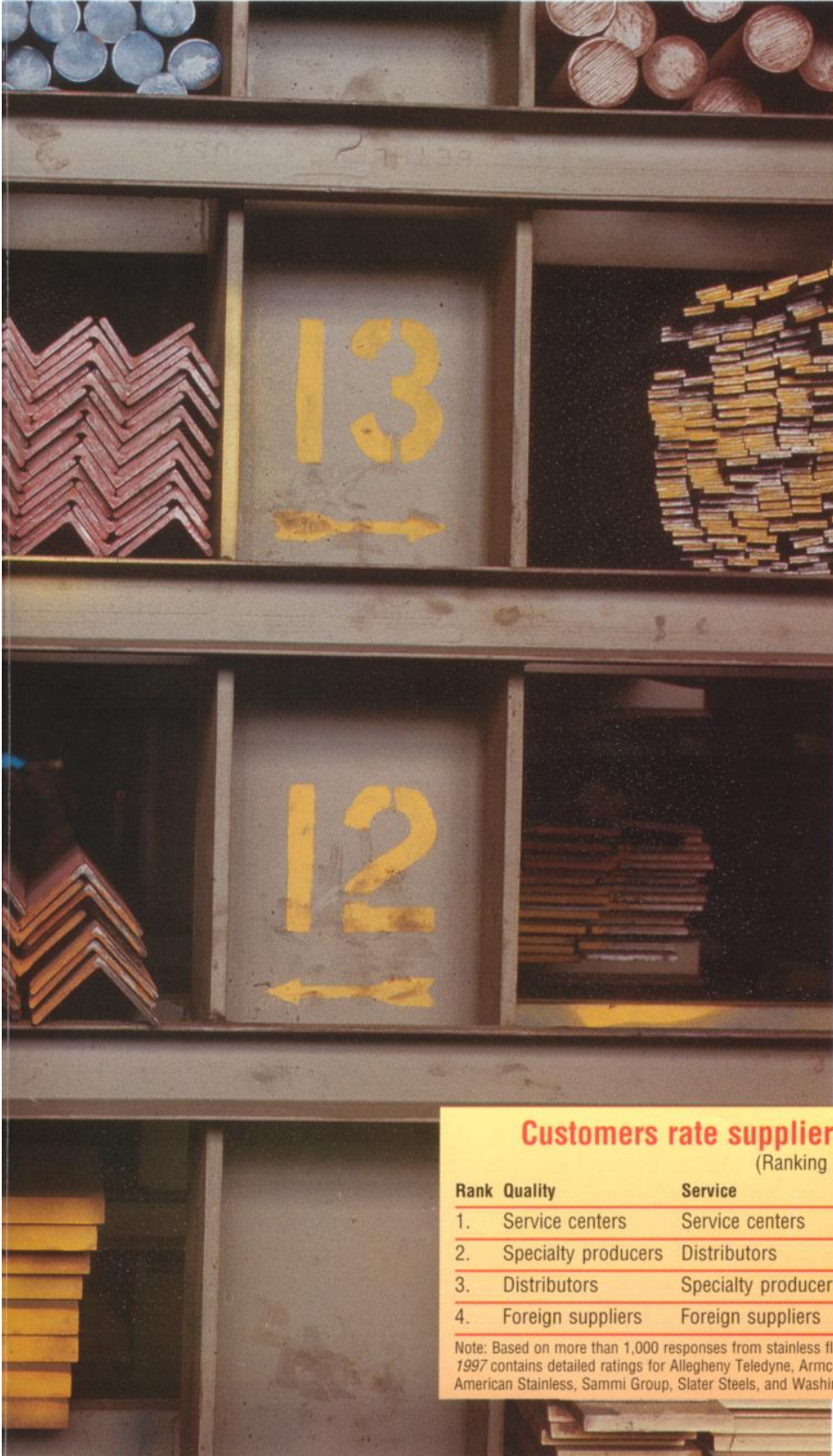
• “I/N Tek has the best deep-draw cold-rolled on the market,” a buyer of carbon flat-rolled said. “Unfortunately, they want to get paid for it. LTV Indiana Harbor Works has bailed us out of some tough situations, which has made them our primary supplier.” The company also is a large customer of Bethlehem and U.S. Steel.

• “Our best suppliers have material when needed at a competitive price,” a buyer of hot-rolled and structurals said. “They also adhere to their rolling schedules.” The company buys steel from Cargill Steel & Wire, Chaparral, Ferro Union, Huntco, Nucor (Jewett, Tex.), and SMI Steel.

• “What we are most dissatisfied with is that our suppliers increased prices in a precarious market,” a carbon-sheet customer said. “U.S. Steel needs to improve their communication networks. It seems that their people always have to consult with Pittsburgh, and it takes too long for an answer.”

• “We dropped Weirton earlier in the year, and then added them back as a supplier,” a large tin-plate customer said in December. “On both occasions, the decision was based on price.”

• “Deliveries are 1-3 weeks late, prices are on the rise, and the market is tight,” said a buyer of hot-rolled coils in October. “We dropped U.S. Steel because their prices were high, even though their quality and service were excellent. We added Steel Dynamics and LTV this year.” Now the compa-



Customers rate suppliers of stainless flat-rolled

(Ranking for 1996)

Rank	Quality	Service	Price	Overall satisfaction
1.	Service centers	Service centers	Foreign suppliers	Service centers
2.	Specialty producers	Distributors	Distributors	Distributors
3.	Distributors	Specialty producers	Specialty producers	Specialty producers
4.	Foreign suppliers	Foreign suppliers	Service centers	Foreign suppliers

Note: Based on more than 1,000 responses from stainless flat-rolled customers. *Steel Customer Satisfaction Report - 1997* contains detailed ratings for Allegheny Teledyne, Armco, Avesta Sheffield, CarTech, J&L Specialty, North American Stainless, Sammi Group, Slater Steels, and Washington Steel as well as numerous service-center suppliers

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ny is a major customer of AK, Caparo, LTV, Steel Dynamics, and WCI.

The whole package

At the end of the day, no single factor is totally responsible for one supplier being better than another. The best steel suppliers have a consistent package across the entire range of customer needs:

- "My biggest beef with my steel suppliers is that they are not responsive to the overall marketplace," a structural customer said in April. "The mills are only concerned with the steel industry and disregard the possible use of substitute products." The company buys from Chaparral, Northwestern (Sterling, Ill.), and Nucor-Yamato.

- "Nucor (Darlington, S.C.) has problems with inside sales—administrative matters, product packaging, and product shipping," a buyer of hot-rolled bar said. "Kentucky Electric needs to improve quality and lower prices. Sidbec-Dosco is a steady performer.

"Atlantic Steel's quality is good, but their pricing is somewhat confusing. Laclede is excellent on small orders and shorter lead times. Chaparral can im-



U.S. Steel's Gary, Ind., mill scores higher in service, price, and overall satisfaction than Bethlehem's Burns Harbor, Ind., mill but lower in quality. Here slabs are cut at Gary.

prove on quality."

- "We're looking for suppliers who are proactive in analyzing value," a hot-rolled-sheet customer said. "We're having our suppliers work to reduce waste and non-value-adding processes. Some of our suppliers are doing this, and other suppliers are just order-takers." The company purchases sheet from Steel

Technologies, National's Midwest Div., and Worthington.

- "It has been nice to see the determination that USS-Posco has shown in trying to improve," said a large carbon-sheet processor on the West Coast in December. "However, California Steel Industries has not followed that path, and we will be shifting our business in the appropriate direction."

Tracking customer concerns can be laborious process. But the importance of listening and responding to customers cannot be overestimated. Customer satisfaction is a never-ending journey. The more a firm focuses on customer needs, the more rewards it will reap. □

John E. Jacobson is the president of Jacobson & Associates, a management-consulting firm serving the steel industry that is based in Rochester, N.Y. The company's Steel Customer Satisfaction Report—1997 has detailed results for the 100 largest steel suppliers as well as comparisons between minimills, service centers, integrated mills, specialty producers, processors, and converters.



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