

The gift of complaints

Some steel suppliers are listening to their customers' complaints—and learning what they need to do to improve



Service centers and automakers look above all for good service and on-time deliveries from their steel suppliers.

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Virtually all customers are dissatisfied about something. Steel suppliers who listen to the complaints will learn where they need to grow in satisfying their customers better. A complaint is a gift, Barlow and Moller wrote in a recent book (*A Complaint Is a Gift*) that describes the importance of being open to critical feedback from customers.

We recommend that steel suppliers solicit as much feedback from individual customers, that is, acquire as many gifts, as possible. Not all customers will risk stating how they feel about their supplier's performance. But criticism from customers is worth much more than steelmakers' unsubstantiated good feelings that they are satisfying their customers.

Long-term business prosperity is directly linked to customer satisfaction. Firms that watch and listen to their customers and potential customers can make tremendous improvements in overall satisfaction. Our studies have found a wealth of previously untapped information on supplier performance just below the surface of day-to-day commercial relationships.

During the first six months of 1996, Jacobson & Associates obtained more than 5,500 responses from customers of steel mills. Customers graded their steel suppliers on quality, service, price, on-time delivery, and overall satisfaction. We used statistical regression techniques to determine the relative impact of quality, service, price, and delivery on overall satisfaction (see table). Our data also enabled us to compare 30 major steel plants (see table, p. 67).

Of the four criteria, on-time delivery has the highest average impact on overall customer satisfaction. That's partly because many customers equate on-time delivery with service. On-time delivery is of extreme importance to buyers in the electrical-equipment and furniture-market segments.

The impact of service on overall customer satisfaction varies considerably

The relative importance of quality, service, price, and delivery in satisfying different customers

Market	Quality	Service	Price	On-time delivery
Appliances	26%	27%	16%	31%
Construction	20	29	25	25
Container	47	6	11	36
Converters & processors	32	30	9	29
Electrical equipment	19	11	14	55
Furniture	24	13	20	42
Machinery	21	21	19	39
Service centers	23	30	17	29
Transportation	25	32	17	26
Market average	26%	22%	16%	35%

Source: Jacobson & Associates. Based on 5,500 responses from the different market segments in the first half of 1996. These customers of steel companies were asked to rank the relative importance of the four criteria on customer satisfaction.

from market segment to market segment. In the two largest steel markets, service centers and transportation (including automotive), service is the most important attribute.

Service has a relatively low impact in containers, electrical equipment, and furniture. Quality has the most impact on overall customer satisfaction in both the container and steel-converter and -processor markets.

Price is generally cited as the least important attribute in overall customer satisfaction, regardless of market segment. Price has the most impact on customers in the construction industry.

Here are some recent gifts for all steel suppliers entrusted to us by steel customers in June 1996:

- "I would like to get metallurgical help from my steel suppliers. I need them to come see our production processes and help us select the correct product."

- "On-time delivery is a must for me."

- "My suppliers can help me by doing what they say they are going to do concerning my product orders and delivery dates."

- "The mills have to get out of the stocking business. They should roll for orders, not for stocking."

Here are some typical gifts of feedback for specific steel companies:

- "Lukens' lead times for plate have increased. We have had to go through service centers to obtain the material."

- "Worthington's cold-rolled sheet quality has been a concern. We are trying to get that back to previous levels."

- "WCI, Weirton, and Caparo are not as receptive as they should be."

- "Bull Moose's on-time delivery performance has slipped in the last few months."

- "Allegheny Teledyne could reduce the minimum quantity of stainless strip per order."

- "Stelco and Algoma are about 25 years behind the U.S. mills when it comes to customer satisfaction. They

need to honor their commitments and do what was promised."

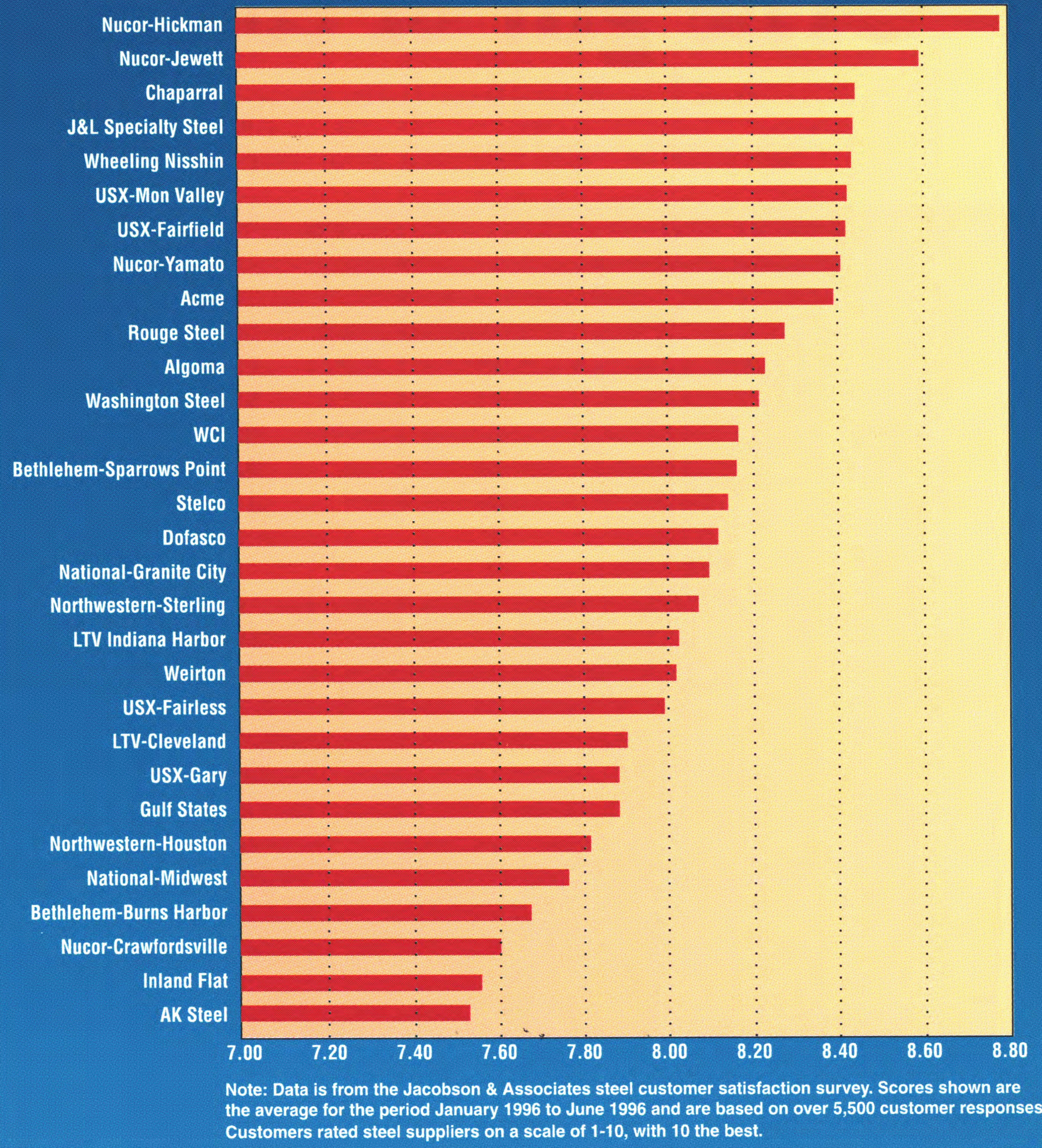
- "Ryerson's cold-rolled coil is not tight enough; it can break our machines."

- "The service of Bethlehem Steel's Bethlehem, Pa., mill is terrible. What they need to do is adhere to schedules, ship complete orders, and bundle the material."

- "Geneva needs a better inside sales staff. Their sales people must become more knowledgeable about the individual accounts instead of transferring me from one person to another. I've never seen anything as unorganized as that department in Geneva."

- "WCI and LTV have great product tracking systems. Communication is very important to us, and we would like to see AK Steel and Acme come up with tracking systems so that we know what is going on."

How well are these 30 steel mills satisfying their customers?



Our surveys make clear to us two rules of customer satisfaction:

1. Customers seek out suppliers who listen to them and respect their needs.
2. Successful suppliers find out what customers need and then go all-out to meet or exceed those expectations. □

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 Survey currently covers ten separate product groups, 18 market segments, and four regions of the United States. For more information, call Mr. Jacobson at (716) 387-0499; fax: (716) 387-0514.

