

# culture and the international customer: jindal iron & steel company ltd

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Joint Managing Director & CEO

Over the last two years, Jisco has doubled export sales and significantly reduced customer complaints in some of the most demanding markets in the world. To understand what it is doing right, read on ...

**a** few years ago, we sent almost 20,000 tons of material to Italy. Another Italian customer wanted the same material. Suddenly, the new customer lodged a huge claim on us saying that our product did not meet the specified requirements. The problem lay in the fact that we did not know for what product he was going to use our material. At the time, we did not ask what his end product was going to be, nor did he communicate that to us. He wanted our material to bend without a crease. We understood the problem only after we sent our people to Italy to find out what was going on. Had we been better informed, we would have spent an extra \$5 per ton and saved ourselves the huge payout we had to make.

## paying for the future

We could have easily taken a legal stand: we had met the specifications in the contract, and we could have said we are not going to pay you. The only reason we settled is because he had formed his product

and had made a loss. We could have lost this customer forever. And bad mouthing could take place in a market where we today sell about 80,000 to 90,000 tons. He moves in that country's steel circles and he could spoil our reputation. We lost several hundred thousand dollars, but we looked to the future. Today, the same customer not only places large orders with us, he has no problems paying a premium. "I was testing you," he told me later, "I wanted to know whether you were here as a long term player, willing to consistently stay with us, and dependable as a single source of supply."

These are the kind of experiences that one comes back with and discusses with the workforce. That's why our exports have been going up and customer complaints going down. Exports accounted for about 78% of total sales in FY03. In terms of volumes, exports have grown at a compound rate of 54% over the last seven years: from 32,870Mt in FY97 to 435,155MT in FY03. Although exporting became an important strategy from 1996, the downturn experience in the late 1990s led to a broadening of

incorporated: 12 April 1983 ■ headquarters: mumbai ■ sales FY2003: Rs16.12bn ■ net profit FY2003: Rs1.21bn  
■ main activities: manufacturing galvanized steel used in the construction, white goods and auto sectors  
■ head count: 1,047 ■ manufacturing facilities: tarapur and vasind (maharashtra)



raman madhok



*even as we BROAD BASE the market, we continue to CATER to the REQUIREMENTS of EXISTING CUSTOMERS*

overseas markets, thereby reducing the company's dependence on the European market. We have ventured into new unexplored markets including Latin America, USA and Asia. The result is that Jisco is now India's biggest exporter of galvanized products, with a 30% market share. But even as we broad base the market to reduce dependence on any one market, we continue to cater to the requirements of existing customers.

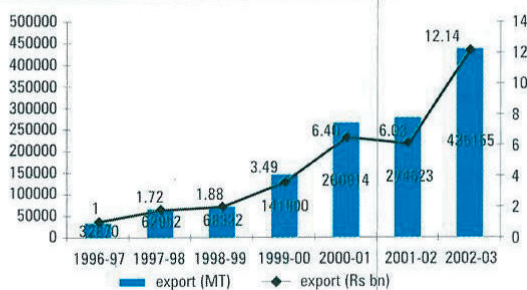
### understanding the customer: cultural differences

Interestingly, we operate in all five continents, and we are in a commodity business where the face matters. Also, our customers in China, Europe, US and Africa are drastically different. The US is one of our most important markets: it was 43% the last

year, and volumes, dollar prices and margins are growing. The US is a demanding and discerning market. The customer is very cut and dry, very clear that if he has asked for 100 pieces in a ton, he wants 100. No less, no more. They are open about their operating margins, they don't want to cheat end customers and they are willing to invest in future relationships. They want to convert even a commodity into a brand. Among our customers are construction companies, which are 70 years old and have built relationships with their customers over generations. For their end customers, it is not important to know from where the steel is coming, but because the construction company is putting its name on the building or furniture, it thinks always of the brand and the values the brand stands for.

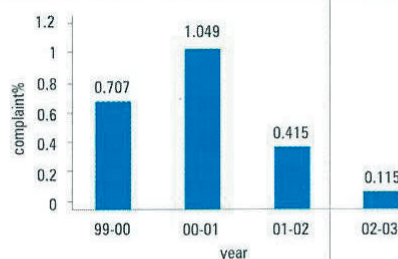
Americans are quality and price conscious but more importantly, if they like you, they're almost wedded to you. For them responsiveness and deadlines are sacrosanct. That's one society that moves almost like clockwork. Depending upon what we commit to them, they commit to their clients further down. Timing, or rather our ability to meet delivery commitments on time, is one of the reasons we have been able to break through into the US market. Our lead time between order acceptance and order execution can be as little as two weeks though we say two months (out of which 40 days is actual sailing time). The Koreans, Japanese and Taiwanese take six months. If we get a call asking me to add an additional 5,000 tons for shipment scheduled next Saturday, we can do it. We have done it. The moment you reduce time, the customer is able to plan better and take advantage of the ups and downs in steel prices. And if you deliver

#### jisco's export performance



source: company

#### jisco's customer complaint record



source: company

## EUROPEANS *are* QUALITY CONSCIOUS, *and* RELATIONSHIP ORIENTED

exactly as promised, he is ready to give you a part of his savings.

In China, the tendency is, "I will do my business here and now, and see what maximum profit I can make out of it. It doesn't matter from whom I buy steel the next time around." When the steel boom took place eight to nine months ago, the Chinese were only interested in buying steel and quality consciousness was the lowest out of the four regions. Because they bought any kind of steel, they were able to sell and earn quick profits.

Europeans, on the other hand, are quality conscious and relationship oriented. When steel prices were not good, they didn't mind if you could not supply them as long as you explained the problems and why you could not cater to demand. They would appreciate that and ask us to send 500 tons, if not 5,000. We did that. Because as a strategy, we never exit a market even if we are losing money. When the euro turned around, we made a lot of good money there. We always maintain good relationships.

Africa again is a totally different market. The quality standards set by government bureaus are among the highest in the world. If you send material

with less coating or less weight there and get caught, you will be blacklisted. In countries like Ethiopia, standards are well defined. If an inspector picks up even one sheet in the retail market which does not confirm to the norms, you can be blacklisted from doing future business. Culturally, India comes very close to Africa. Eight years ago, galvanized steel in countries like Ethiopia used to be 100% Japanese. Over the past four years, it is 100% Indian. One reason could be the Indian psyche. I guess that if you have a fear of being blacklisted, you conform to standards. Indian suppliers have consistently been meeting the requirements as per the laid down standards even as the market goes up and down. We deal with about eight customers there, and three of them have sent their children to study in India. Their children keep track of what is happening in the market here and email news back home. They know they are not being short changed.

### internal process improvements

Customer satisfaction and quality go hand in hand, and we learnt many important lessons in 2000, when Jisco went into the red for the first time in its history. Steel demand worldwide fell sharply on the back of general global slowdown, and faced with this challenge, we launched four major initiatives for cost control and productivity improvement. Aimed initially at the domestic market, the improvements significantly aided the new thrust on exports. One of the four programs was PACE (Planned Action for Continued Excellence) where Jisco managers went to UK's British Steel to undertake a benchmarking exercise involving various operational, finance, HR and other bottomline enhancing techniques.



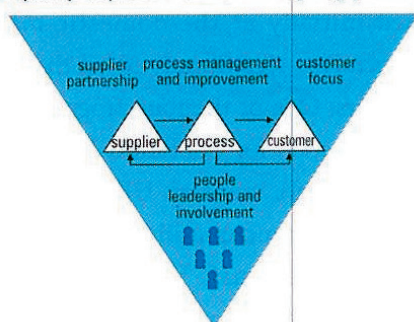
For a period of three years between 1996 and 1998, 35 of our managers were trained on micro-planning. They also saw projects being carried out in British Steel plants. I think seeing is believing. They understood why British Steel products are rated as the best in the world: all you need is attitude. Our benchmarking studies showed that we could make the same product quality with our own equipment: our yields were pretty good, our equipment was good too. The only thing lacking was attitude towards the final finish, the 'last one kill'. Most of the British Steel consultants who worked with us had 30 to 40 years of experience in galvanizing lines. Most have always been with British Steel, and have worked in not less than twenty to thirty plants worldwide. In the late 1980s and early 1990s, they had worked extensively with SAIL and TISCO in India. So they knew the Indian temperament and cultural issues. But because we engaged them almost a decade later, we could make a quantum jump in our learnings from them.

In terms of customer responsiveness, we normally avoid reactive visits. Ours are all proactive

visits. For example, I visit every large market once a year, and know most of my customers worldwide. When an issue arises, it's best to bring it to the table, to discuss and find a solution without pointing a finger. We encourage prudent risk taking: that's how we come up with new products for our clients. Recently Honda gave us the Best Supplier Award. It took us three years to get our galvanized sheets approved but now they have just two vendors, and one of them is us. Over the last 2½ years we have serviced around 77 countries, and at any given time, we are in about 40 countries. We do not do business in all the countries at the same time because the needs, the timing and the technical nature of the business keeps changing. It's a journey we have just begun.

### jisco's total quality paradigm & process management

- customers are our driving force
- results happen through people
- every function is a part of the process
- suppliers are partners in our business
- strategic planning is of key importance
- quality improvement is an ongoing process



### the big learnings

- identifying prospective customers in neighboring countries of already existing markets is a better way of broadening the base than breaking into strange lands.
- understand customer needs through clear, comprehensive written communication. It is normally our tendency to hesitate in seeking order clarifications.
- ensure that quality standards match customer specifications. An important part, often neglected, is the understanding of the customer usage.
- a rush for large orders in the maiden consignment might end in bulk rejection. Always keep the recall cost in mind (especially for exports) and send a small batch.
- be ready to absorb initial losses while building customer relationships. Stand by the customer in times of slowdown. Our policy is not to exit a market even if we begin with losing money.
- find the right manager for the right geography. It helps to have home grown account managers who are acquainted with the cultural and developmental demands of the region.
- customer responsiveness is about inculcating a certain attitude and procedure. Involve the technical team right from order stage.

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