

# New and efficient ways of purchasing steel

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Digital and convenient: This is how steel is purchased nowadays

In the steel industry the flow of information concerning delivery and additional services is highly inefficient. For decades customers have purchased predominantly via phone or fax, so digitalised order and process management systems have not been widely adopted. However the steel industry, and particularly purchase, lends itself to digital mapping which simplifies the process. Customers are increasingly demanding flexibility in delivery times, convenience and transparency in the purchasing process. Steel manufacturers and distributors who are already going through the digital transformation are therefore clearly at an advantage. With the help of the following example, we will demonstrate the usefulness of purchasing steel online and how to make this experience efficient and secure.

If for a new product range, a company requires 200 metres of unprocessed square bars, usually the first step involves a purchasing department who starts a search for the best offer. At the moment, companies requiring steel can relate back to a pool of suppliers however the telephone conversations can be tedious and time consuming. In the end, three quotes are requested via email – one of which arrives immediately, the second after a week while the third quote is not correct as it displays different terms and conditions from the ones originally discussed on the phone. This causes delays in production.

No warning when faced with supply shortages

When a suitable quote is finally agreed on, the customer sends a purchasing order via fax and in return receives an order confirmation. How the order is then passed through the system remains a

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mystery to the customer; he can merely wait until the product arrives. A week later the customer is notified that a shortage in supplies has caused the delivery to be delayed by a further ten working days. If this would have been known in advance, production could have been reorganised accordingly. This is not only annoying, but also very expensive for a customer.

In order to keep customers over a long period of time, it is important to respond to any queries/demands with quick, professional and high quality service.

Online distribution creates new opportunities

The above case is merely one example of a particular construction company dealing with a steel supplier. Generally speaking, the purchasing process in the steel industry predominantly remains rigid, tedious and non-transparent. Digitalisation with the online purchasing channel, therefore, creates opportunities to purchase steel with more convenience, time saving and a lot more transparency. With increasing digitalisation, the steel industry will catch up with other industrial sectors such as IT, electronics and leisure that are at the forefront of digital purchasing.

B2B buyers are increasingly researching their work purchases online before buying, with half of them also making their work purchases online. In recent years, the UK B2B market has seen one of the biggest shifts in e-commerce and many UK companies have taken the opportunity to tap into an increasingly online savvy audience and are investing in online platforms and new technologies.

According to the Frost & Sullivan report, the B2B e-commerce network will generate \$6.7 trillion in revenue by 2020, meaning that e-commerce platforms supporting business trade will contribute 27% of the \$25 trillion market by 2020.

The time for Online Shops has come

For steel manufacturers this anticipated future landscape is one of many reasons to take a daring step towards this new online territory in which products are offered via online shops. According to Gisbert Rühl, CEO of the future oriented steel distributor Kloeckner & Co, the steel industry has been oblivious for far too long and now it is time to open itself to the digital world. The economic consultancy PwC describes digitalisation as one of the five most important competencies of steel manufacturers in the upcoming years and should serve to optimise business models. The enormous pressure on steel manufacturers and suppliers that are contributed to by cut throat competition from China, overcapacity, intense competition and fluctuating prices is a big enough reason for the development of innovative business models.

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The objective nowadays must be to enable a quick, professional and high quality service to customers' needs in order to build stronger business relationships, good customer satisfaction and loyalty with customers. The focus of the digitalisation strategy should centre around optimising processes and efficiency through incorporating clients planning and purchasing processes/tools for example. This is achieved by professional suppliers who carry online shops with multiple functions.

#### Transparent and convenient – benefits for the (steel) customers

For steel customers the usage of an online shop brings significant benefits. First and foremost it saves time in the buying process as purchase is made possible with only a few clicks, and product information is available at first glance. This puts an end to laborious phone conversations in which offers have to be requested and prices compared. Availabilities, delivery times, order history and the status of current orders are easily accessed online. With online purchasing the previously mentioned mishap about delays due to stock shortages could have been avoided.

#### Aiding your decision making

As digitalisation of the steel industry is still in the early stage, support in online purchase decisions is crucial – next to self-evident criteria such as range of products and experiences of the supplier, the following aspects play an important role:

- **Delivery service:** PwC states that delivery service, short processing times, and flexibility in volume are part of the five core competencies for steel manufacturers. It is said that for online and offline businesses alike it is becoming increasingly important to adapt to the individual wishes of customers and being able to deliver desired quantities in a timely manner. The more branches a steel supplier has, the better the service.
- **Data security:** It is important for the online supplier to conform with the online data security laws, and that data is for example only used during order confirmation.
- **Integration:** The possibility to order online does not in itself create a continuous (order management) process. Hence a connection to the resource management is crucial on the customer's side, for example through SAP or other ERP systems. This way customers have access to their individual prices and discounts.
- **Order overview:** Heightened transparency is reached in an online shop when a detailed order overview tool is put in place as customers can get insights into order status at any time or view historical orders.

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- **Contract management:** For contract customers shopping online plays a secondary role. Contract management is still being handled offline throughout the industry although even in this area of business first possibilities/developments to digitally portray contract management are noticeable. Professional suppliers are creating online contract platforms which offer benefits to top customers and steel manufacturers. These are then granted access to open and closed contracts as well as leftover stock at any time. A quality contract platform is characterised by an intuitive user interface. Particularly important are capable/ effective search and filter functions which can also work with contract numbers, grades or measurements, so that relevant orders can be found quickly and easily. Questions about follow up contracts can happen directly in the portal. Additionally the client is informed in advance if delays or errors occur.

- **Power of innovation:** In the best case scenario online shops are constructed along the lines of app-development, whose prime concern is to quickly supply customers with a platform through which they can order product. Any further developments can then follow according to the customers wishes, demands and suggestions. This way online suppliers can guarantee high levels of usability when selling steel online.

#### Conclusion

While most other industries cannot exist without digital processes anymore, the digitalisation of the steel industry remains in its infancy. Faced with increasing pressure, steel manufacturers are now forced to optimise their business models and supply more efficient purchase and delivery processes to their customers. This will benefit steel manufacturers in a variety of ways. Online shops enable customers to place orders easily and at any time, while giving the overview of current orders. If digital purchasing is successfully integrated into the business model, the supply chain is automatized. Manual labour and costs can be reduced while errors such as delays can be kept to a minimum, which in turn has positive effects on resource management.

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