Leading the digital transformation of metal distribution

September 2017
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1. Transformation towards a digital industry platform
2. Current status of Klöckner & Co’s transformation
3. Setup and mission of kloeckner.i
4. Focus of kloeckner.v
5. Further initiatives to support the digital transformation of Klöckner & Co
Klöckner & Co transforms the linear supply chain into a digital platform business

Linear Supply Chain

• No effective Information and data exchange on available inventory, lead times etc.
• Consequence: Long delivery times, incorrect deliveries and high inventory levels

Digital Platform Business

• Open infrastructure with frictionless access
Digital platforms have become the dominating business model of the 21st century.

Platforms ....

- **succeed** by introducing better offerings
- **scale** through network effects
- **create** value by reducing waste and inefficiencies
- **move** themselves between the producer and the customer
- **shift** between industries
- **extend** in a way that traditional supply chains are not
- **link** existing customers stronger
Klöckner industry platform will be positioned as a vertical player

On vertical platforms, established companies like Klöckner can leverage specific industry expertise and longstanding relationships with suppliers and customers.
Incumbents like Klöckner have several advantages in building a successful industry platform

1. Access to customers and suppliers
   - No chicken-and-egg problem by having a big customer and supplier base

2. Deep industry know-how
   - Klöckner knows how to handle the supply chain and understands the expectations of customers and suppliers

3. Reliability and trust
   - Klöckner is since decades trusted by the industry and a reliable partner of its customers

The challenge is to leverage existing assets and capabilities and moving fast at the same time
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02 Digital transformation of Klöckner & Co further advanced

- New office space in Berlin rented for kloeckner.i to enable further growth
- Staff of 60 digital experts in the fields of innovation & product, software development, digital marketing & sales and business intelligence & analytics

- Service portal Kloeckner Connect as central access point for onlineshops, contract portals and order transparency tools very well received by customers
- Transition to open industry platform this year

- Sales share via digital channels gradually increased to 15% in Q2 2017
- Further acceleration of online sales growth expected through integration of third party products, OCI interfaces and various other additional features

*Related to the German onlineshop and can not be projected on the full digital-generated sales
02 Comprehensive rollout of service portal and digital tools by the end of 2017

- **Service portal**
  - Launched
  - Implementation in 2017

- **Contract portal**
  - Launched
  - Implementation in 2017

- **Online shop**
  - Launched
  - Implementation in 2017

- **Order transparency tools**
  - Launched
  - Implementation in 2017
Service Portal and Onlineshop for spot buyers

- **Service portal Kloechner Connect:**
  - Central access point for customers to Onlineshop, contract portal and various digital tools

- **Onlineshop:**
  - Offers full price and delivery time transparency – even for customers without registration
  - Integration into ERP systems of customers via OCI interfaces
  - Open for 3rd party sellers/distributors in 2017
  - Possibility of payment via credit card
  - Third party interface via webservice API (REST)
Contract Portal for customers with continuous demand

- Efficient digital contract management for customers
  - Clearly structured overview of prices, volumes and maturity dates
  - Order-Release 24/7 by mouse click via PC or tablet
  - Option to contact Klöckner & Co sales agent for new contract negotiations
  - Fully integrated into service portal Kloeckner Connect
  - OCI interface to ERP systems of customers
- Reduced workload for internal sales force
  - Digital management of customer activities including the option to set notes
  - More efficient process execution
- Integrated into third party platform Axoom
Order Transparency Tool supports order and document management

- Intuitive customer friendly interface
- Order management
  - Clearly structured overview of all orders
  - One list for better clarity and information
  - Displays specific details including the delivery status of each line item
  - Whole order history accessible
- Document management
  - Instant access to important order and product documents
  - Option to download the delivery note, shipping note and invoice of each order
  - Access to the mill certificate corresponding to a line item
Connection of Klöckner & Co platform to Internet of Things

- Participation in AXOOM order and resource management software project initiated by TRUMPF
- High digital competence enables Klöckner & Co to participate in the project as steel supplier from the very beginning
- Klöckner & Co Contract portal already integrated into the AXOOM interface
- Final solution allows fully automated demand recognition, order and delivery process – the machine orders at Klöckner & Co
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kloeckner.i as digital lab to drive the transformation

Founded as a dedicated startup (digital lab) in Berlin in 2014

More than 60 digital experts in Innovation & Product, Software Development, Digital Marketing & Sales and Business Intelligence & Analytics

Application of innovative startup methods such as design thinking, lean startup and rapid prototyping enables accelerated implementation

Far enough from Klöckner to act independently, yet close enough to leverage expertise as well as access to customers and suppliers
kloeckner.i as separate business unit to maximize speed but integrated approach to leverage existing assets and capabilities

**Transformation**

- **Resources**
  - Assets
  - Intellectual property

- **Processes**
  - Reliable processes, perfection
  - Lean start-up, agile, failure culture

- **Focus**
  - Margin
  - Scale

- **KPIs**
  - EBITDA
  - Conversion rates etc.

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Playing field of **incumbents**

Playing field of **fast moving start-ups**
03 Lean, agil and customer centric innovation process

Corporates

- Plan
- Implement
- Monitor

Startups

- Build
- Measure
- Learn
Kloeckner.i not only works but is also organized like a startup

Digital innovation & disruption
- Design Thinking
- User Testing
- Co-operation with branches

Digital products & software development
- Operate products and tools
- Lean and agile Software Development
- Usability and optimization
- Quality Assurance
- Coordination with Group IT

Digital Sales, marketing & support
- Online Marketing & Sales
- Customer Satisfaction
- Roll-Out support for digital solutions
- Tracking and Monitoring
- Customer Service

Business Intelligence & Analytics
- Data Science Lab
- Provide data based decision support
- Manage and operate online analytics
- Campaign Monitoring and measurement of results

Partners:
- diva-e
- etventure
- Google Cloud Platform
- SAP Hybris
- TLGG
- Aera
- Arago
- Sage
- Trumpf/AXOOM

Google AdWords
Jump Start Program

- DFKI (German Research Center for Artificial Intelligence)
- Fraunhofer Institut
- KIANA Systems
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kloeckner.v invests in B2B business models which add value to the platform
We leverage Klöckner & Co’s cross-industry network to provide exceptional growth opportunities and eliminate key business risks in a conservative market environment.

kloeckner.v portfolio companies profit through access to Klöckner & Co’s industry knowledge and the kloeckner.i digital expertise.

kloeckner.v invests in best-in-class startup teams with innovative, disruptive, and scalable business models that complement or extend our digital strategy.
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Digital transformation also requires an intensive cultural change

Digital enabling of employees through online courses during working hours; the courses are developed specifically to suit Klöckner’s needs.

Hierarchy-free communication solves the problem of interruptions in horizontal and vertical communication.

Many additional initiatives in the holding company and in the country organizations to engage employees.
Continious flow of initiatives to engage employees

**Germany**

- “Digi Days” as initiative of the German country organization to support the digital transformation in each branch
- Appointment of a full time digital coordinator in each branch
- Incentive program for sales force to promote online sales
- Frequent digitalization workshops in all warehouses across Germany
- Monthly online sales goals for each branch

**Europe**

- Chief Digital Officer for One Europe appointed
- Europe-wide cross functional approach for digitalization through designated digital managers and teams in each country

**US**

- Chief Digital Officer appointed
- Set up team of project manager and innovation drivers
- Closely interfacing with KCI in Berlin and KMC business units

**Group**

- Frequent town hall meetings with CEO in various branches
- Digi book to explain employees the KCO digitalization strategy
- Continuous information exchange via Yammer Digitalization Groups
05 Klöckner & Co is also supporting the integration of refugees as main sponsor of ReDI

- Free of charge programming training and networking opportunities for refugees
- Provision of laptops and workstations in co-working spaces across Berlin
- Volunteer teachers and mentors are all employed in renowned IT companies
- Klöckner & Co as main sponsor and provider of free office space for ReDI
- First graduates of ReDI School hired for kloeckner.i