

Digitalisation within the steel industry

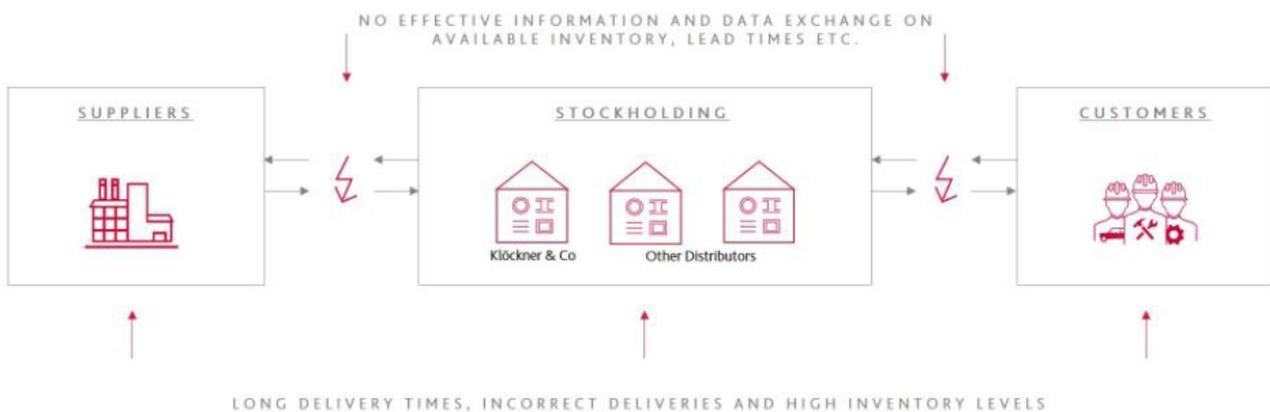
By Kloeckner Metals UK

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Introduction

Digitalisation is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business.

The steel industry is outdated. The use of phones and faxes to submit orders is still very much a common practice. This along with other inefficiencies across the whole supply and service chain lead to substantial logistics costs, higher inventory levels and higher capital commitment. With over-capacity, intense competition and wide fluctuations in steel prices, the steel trade is under increasing pressure.



By creating greater efficiency through rapid, decisive and user-friendly supply and service chains, fully digitising the supply and service chain and redesigning all supplier and customer-related processes to be simpler and more efficient, these unprofitable business models should become a thing of the past.

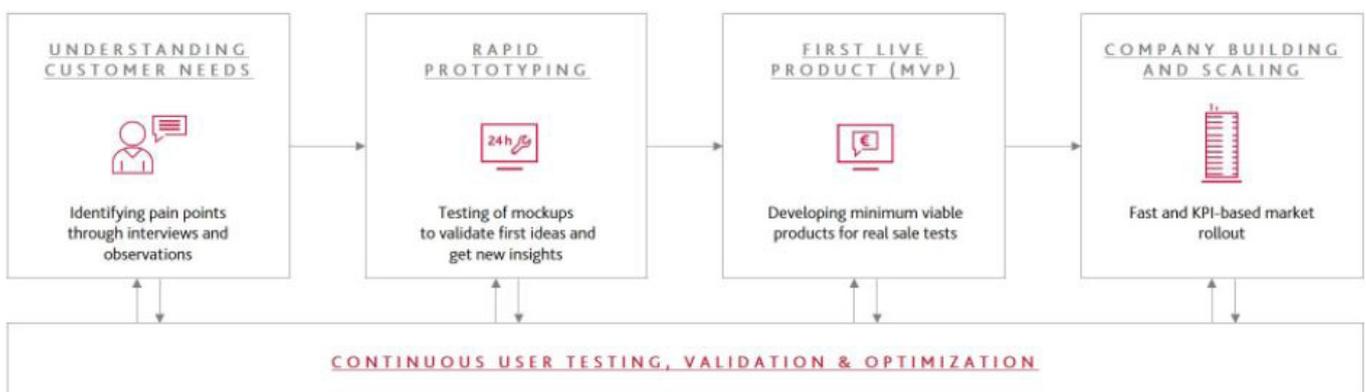
Digitalisation is therefore very high on Kloeckner's corporate agenda. With the opening of a Digitalisation unit in Berlin, Kloeckner.i, a centre for excellence has been created where a team of more than 50 people work towards a more digitalised future both for the company and the steel industry as a whole.

The development of digital business models is not about the creation of online shops, or simply making all documentation electronic. It requires a different approach to the one corporations have traditionally taken; it has to be both a cultural and mental change, with the aim of making it easier for customers and suppliers. It is here where the digital journey begins.

Working closely with the customer to begin with, allows a business to identify the key issues and areas for improvement. Combining design thinking and agile product development can see the rapid creation of basic prototypes that will lead to digital solutions.

It is what successful startups have done for years, where tight financial constraints force them to get their products or systems to market fast. Working hand in hand with the customer, a process of continual testing and fine-tuning then determines whether and how far the prototype in its current form meets the requirements. Once approved by the customer prototypes can then be developed into full digital solutions and rolled out business wide.

APPLICATION OF LEAN START-UP-METHODS

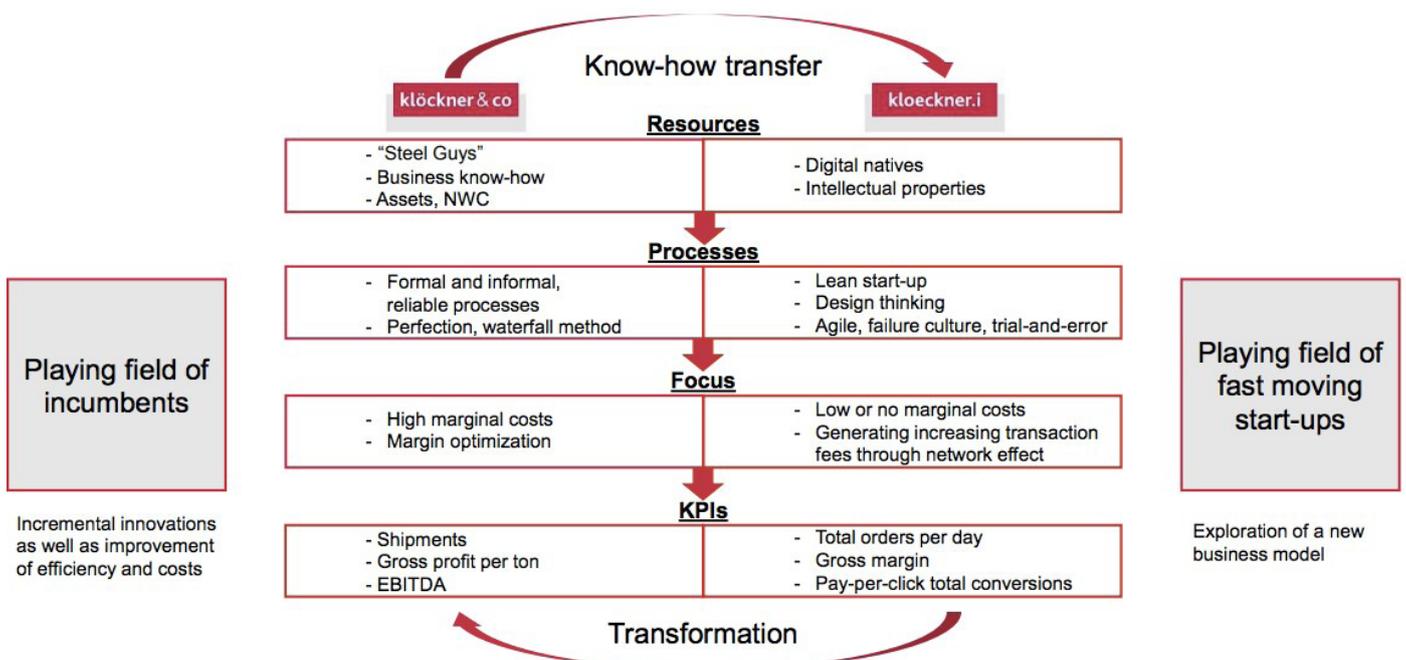


Driving forward developments like these calls for teams who have this approach in their DNA, with the freedom to exploit these working methods not common in typical corporate environments. The key to success is building teams like this and then adding in-house experts to them.

This is the approach Kloeckner took when it came to driving forward digital transformation, creating a small internal innovation group. However, it quickly became clear that they were unable to break free from their traditional working methods and way of thinking. They needed people who could take an unbiased look at the steel industry's issues and use agile work methods to quickly convert their ideas into initial digital products. This is where kloeckner.i was created, a digital division that employed a dynamic team from the Berlin startup scene.

In order to make sure people could give their creativity free rein, kloeckner.i operated independently, in fact, quite autonomously from the rest of the organisation. This was during the initial discovery and launch phase, creating the right setup to develop initial digital solutions for customers very rapidly.

During these early days, it became apparent that the more complex the tools and platforms got, the more Kloeckner needed the transfer of expertise from across the business. They could only achieve digitalisation by involving the entire company as it impacted everything and everyone. kloeckner.i needed to be closer to the wider company, but without infringing its independence so as not to impede the creative potential.



Kloeckner now enjoys an ongoing exchange among employees and many joint initiatives, without kloeckner.i having lost any of its agility. At the moment digitalisation primarily affects Kloeckner's commodity steel business though digitalisation is driving development from the bottom up; building up their business in higher value-added products and processing services.

The first digital solutions developed by kloeckner.i have now been rolled out to a wide group of customers. In addition, the "Kloeckner Connect" service portal has also gone live, giving customers central access to Kloeckner & Co's comprehensive range of digital tools. As a result, the share of sales generated through digital channels rose from 9% in Q1 2016 to 15 % in Q2 2017.

The plan for the current year is to launch the first version of their open industry platform by integrating competitors, increasingly evolving from a stockholding steel distributor to a supply and value chain manager. This could mean that, by 2030, Kloeckner will no longer need to hold any inventories and will instead earn their money through transaction fees, advertising and data analysis.

Digitalisation and the changes it brings in customer expectations are revolutionising business models and industries with unprecedented speed: real and virtual worlds are increasingly merging and paving the way for an end-to-end, digitally integrated industry. A company's competitive edge depends on an ever greater extent on its software and digital capabilities. Traditional efficiency-boosting measures are no longer sufficient by any means, especially since their potential has become so limited. So changes are no longer linear but exponential. In terms of the necessary transformation, speed is of the essence when it comes to profiting from the immense opportunities the digital transformation brings.

Kloeckner have recognised the potential early on with initial successes apparent. Digitalisation now occupies a prominent position in Kloeckner's growth strategy, their success going forward – and indeed very existence in ten years' time – will hinge on it.