

VAILLANT GROUP

2020 / 2021 | CONFIDENTIAL

GROUP DIGITAL STRATEGY PROCESS

PUSH DIGITAL!

VAILLANT GROUP DIGITAL STRATEGY

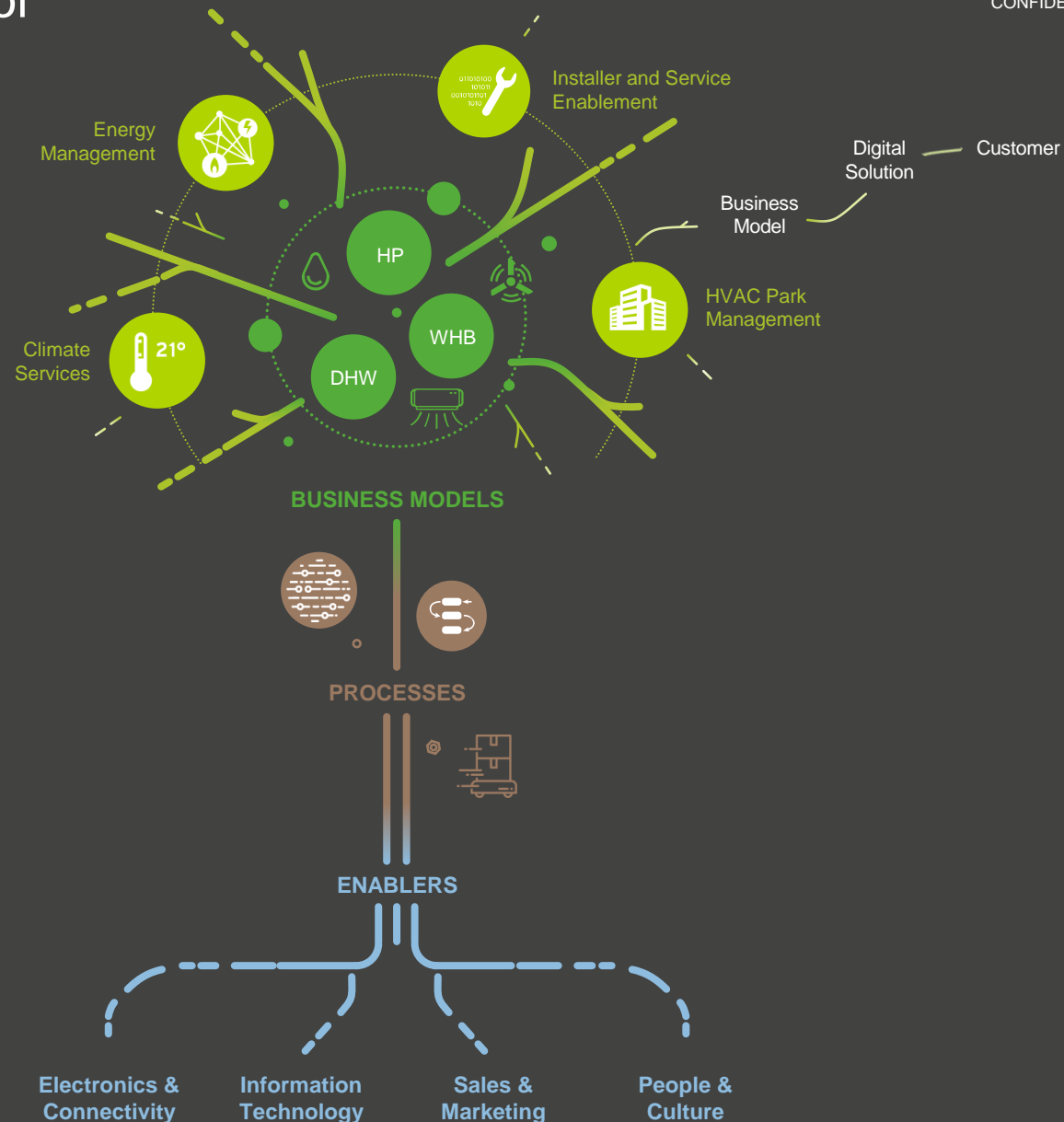


Push solutions in the context of digitalization and servitization

FOCUS AREAS

Customer value propositions are more and more defined by digital features and so are the **business models** around them.

The **focus areas** are designed to give guidance in which direction and context we want to push digital solutions.



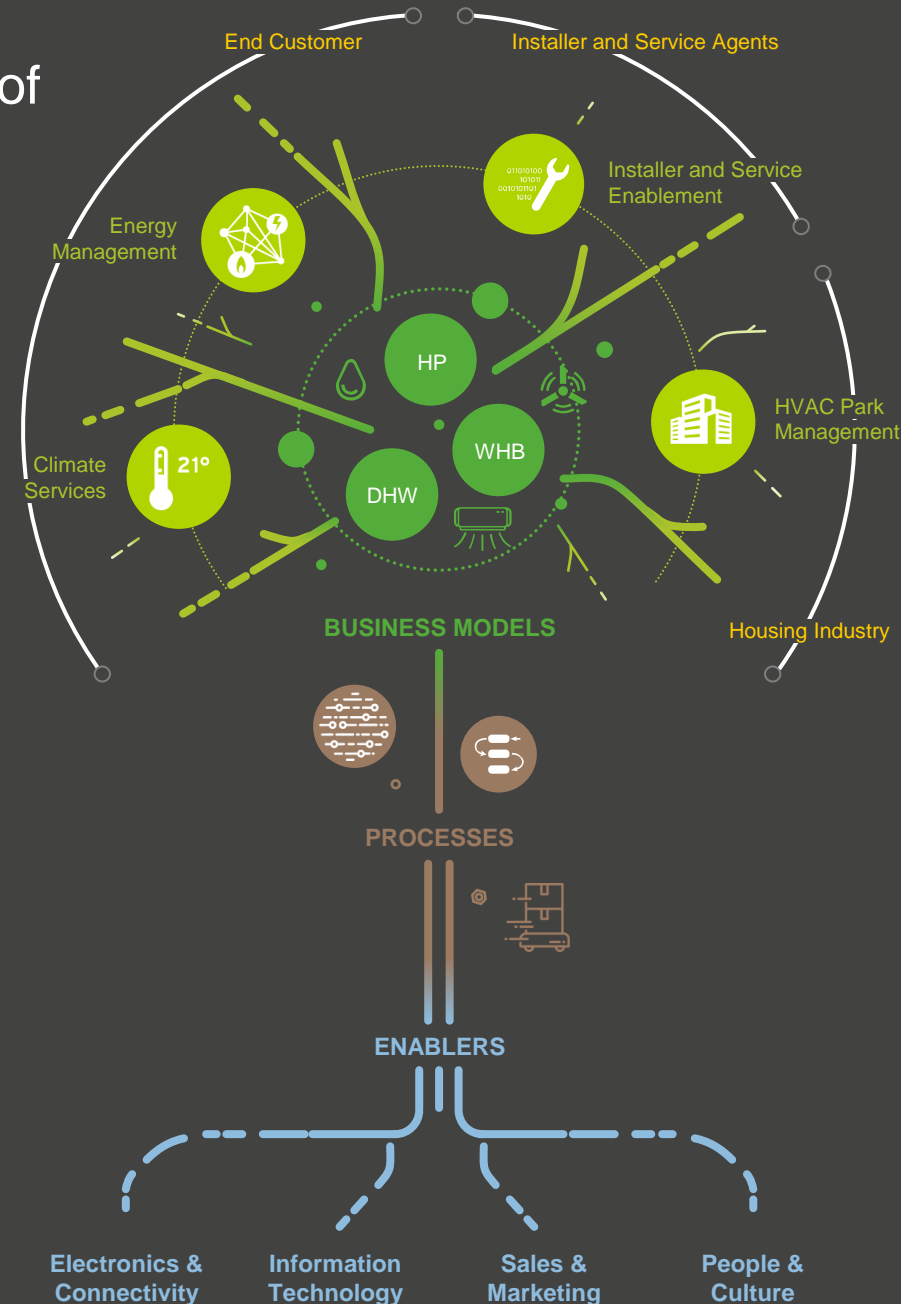
Push solutions in the context of digitalization and servitization

FOCUS AREAS

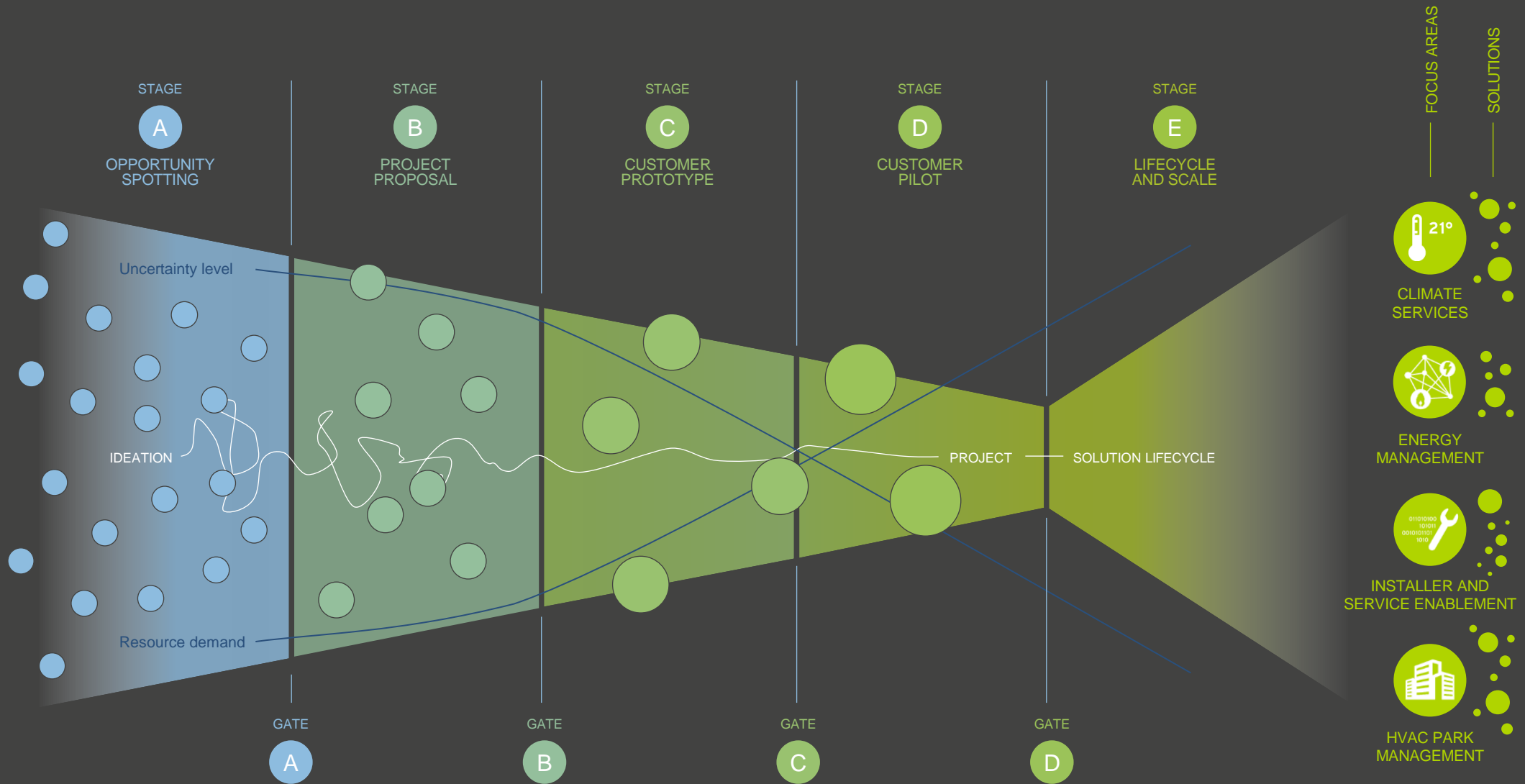
Customer value propositions are more and more defined by digital features and so are the **business models** around them.

The **focus areas** are designed to give guidance in which direction and context we want to push digital solutions.

Three **target audiences** for innovative offerings are end customers, installer and service agents as well as the housing industry.



Strategy-to-Solution process to push digitalization and servitization



Strategy-to-Solution Process

NEVER STOP DISCOVERING NEW OPPORTUNITIES

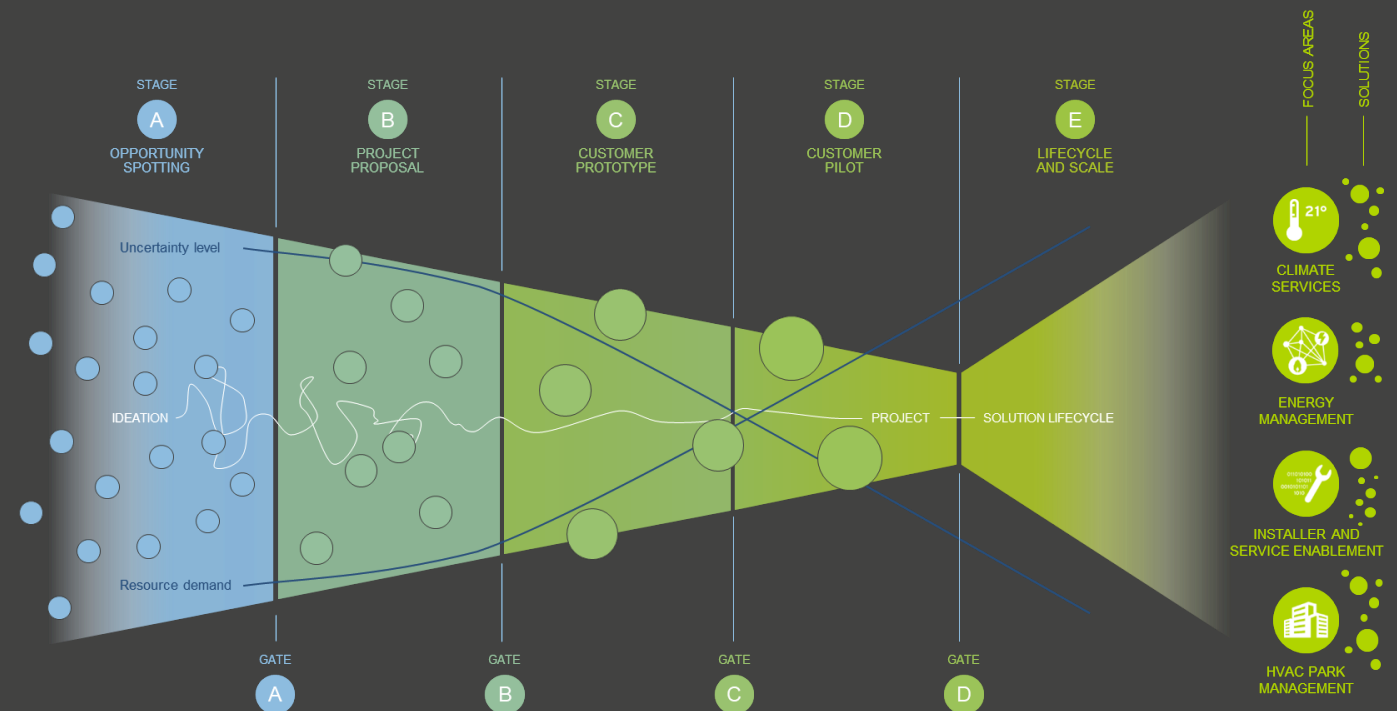
But how do we push solutions in the context of digitalization and servitization? With the new Strategy to Solution Process.

The Strategy to Solution Process provides a framework that allows us to iterate and fail fast and to test which ideas will be the new driver for our long-term success. This seems complicated. And yes, building a new business model is not easy. It takes time and effort, and many obstacles need to be overcome.

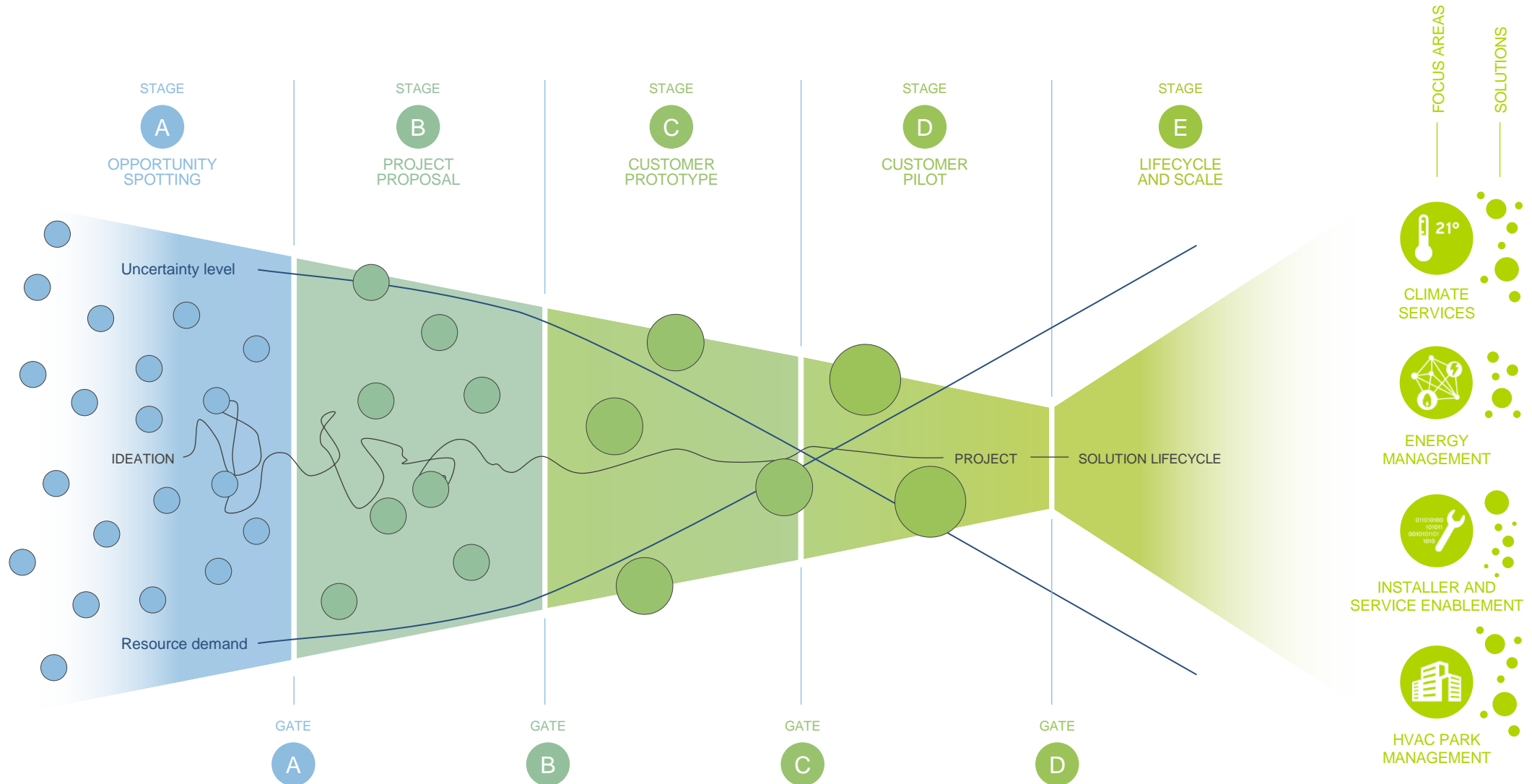
But this is exactly what we are here for. This process is designed to be fast, to focus on what is important – and to maximise the success rate.

Together we bring ideas to life. Feel free to contact us with any ideas, questions or comments you have: neverstop@vaillant-group.com.

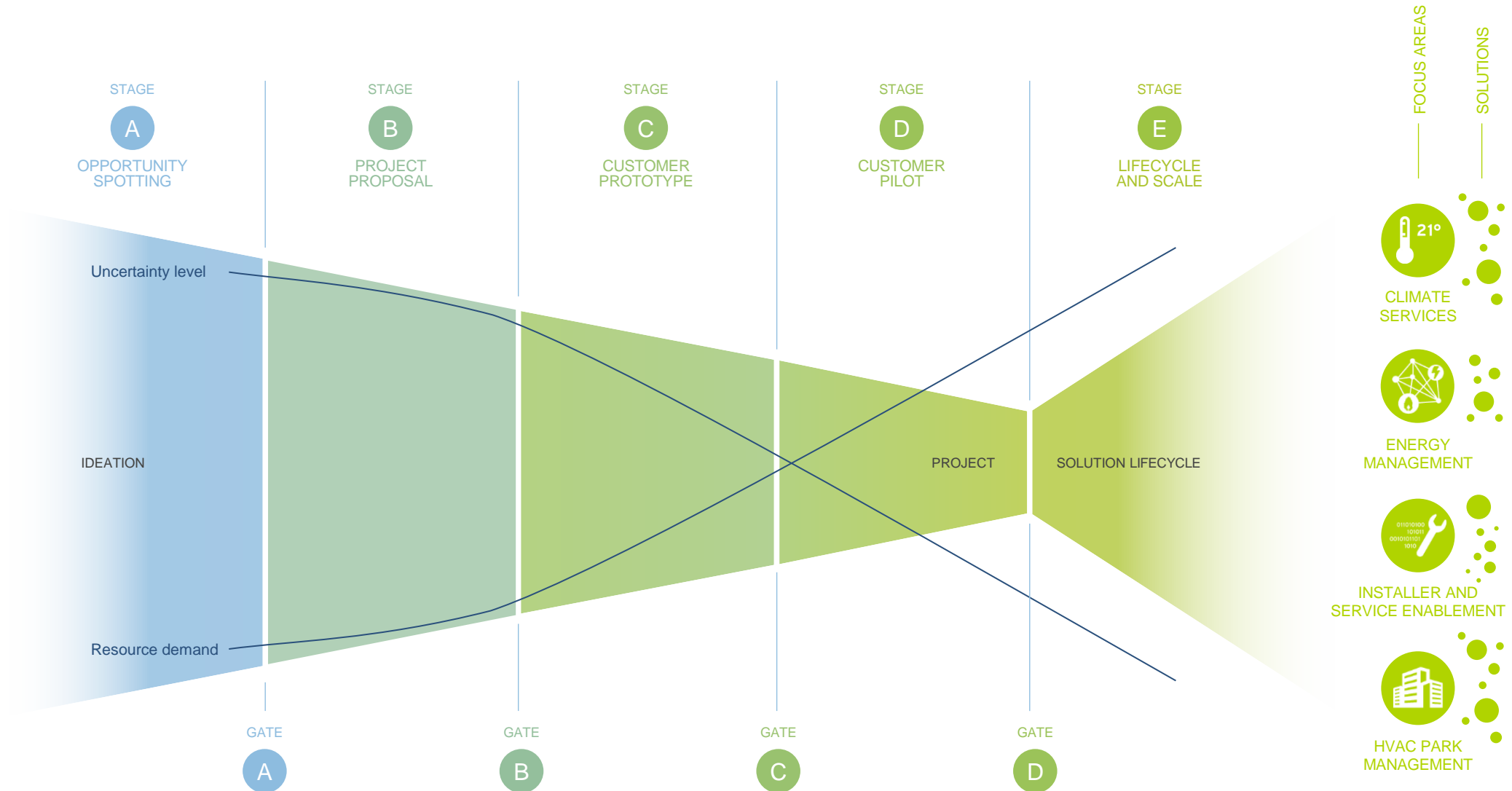
Note: For ideas beyond digitalization and servitization, please refer to “idea management” within Group Net.



Strategy-to-Solution Process to push digitalization and servitization



Strategy-to-Solution Process to push digitalization and servitization



Core beliefs stages A & B

NEVER STOP DISCOVERING NEW OPPORTUNITIES

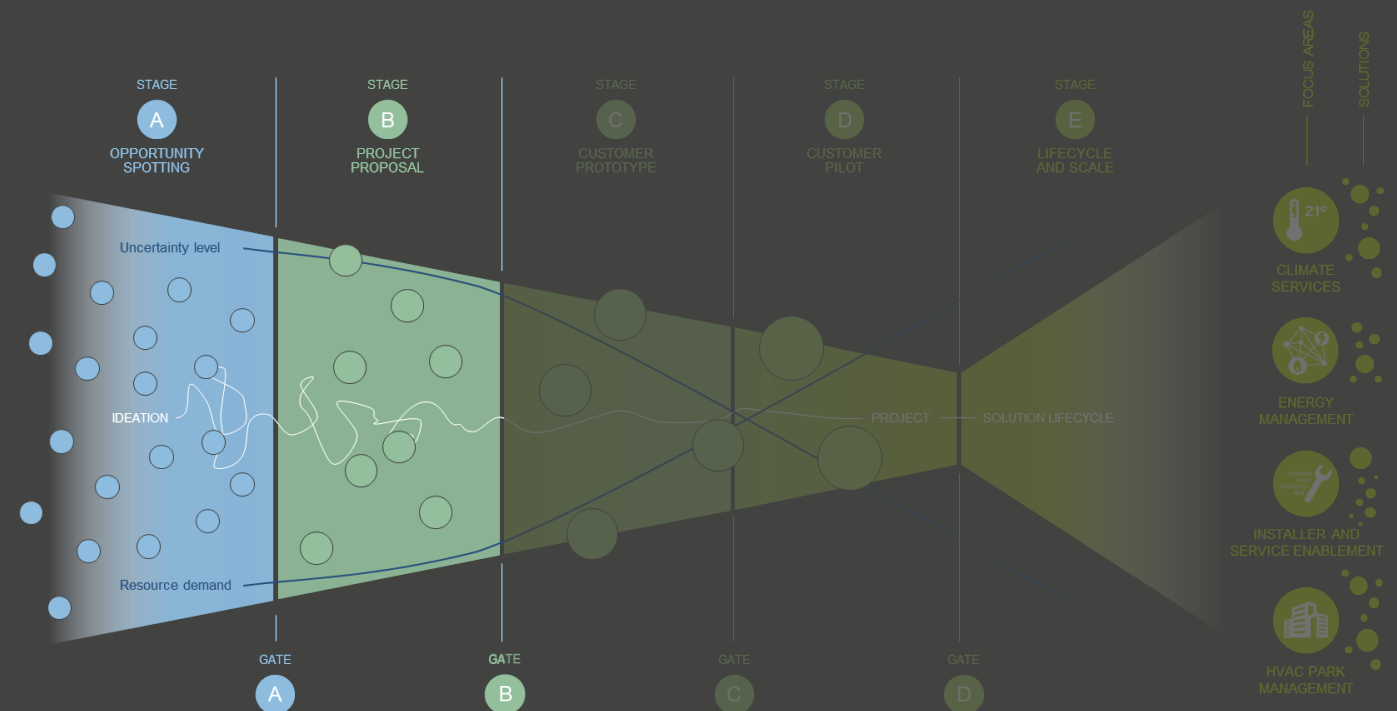
In order to qualify ideas, we need to have ideas. Ideas can arise from anywhere in the organisation, typically they are triggered by customer-facing functions.

That said, often mentioned but important to repeat again:
The customer is the centre of attention, not the technology.

Ideas start small, but practice tells us that the attitude to success is to think as big and bold as possible from day one onwards.

We know from experience that a winning strategy is to always look at ideas from a local and a global perspective, to win in a small region and then scale up fast.

Business is driven by regions. The task of a central organisation is to support the regions to ideate and scale up business ideas, ideally across multiple regions.



Stage A Opportunity Spotting



"If at first the idea is not absurd, then there is no hope for it."

Albert Einstein

How does it work?

Ideas can come from anywhere: a good or bad customer interaction, during a casual bicycle tour, while having a chat with colleagues. The biggest mistake is to let the idea go away.

You have an idea that is still in the early stages. You have the feeling that it fits in with the four focus areas for future business models.

Let us help you evolve the idea. Just drop us a note via e-mail.

neverstop@vaillant-group.com

Available support and comments

- Support from Vaillant Group Digital Strategy to ideate and verbalise the idea
- Blueprints and tools that help tackle the most important building blocks of a business idea
- Stage A is fast, on average it takes around four hours to get the idea on the ground
- Gate A is fast, let's have a casual chat to find out if we believe in the idea or not

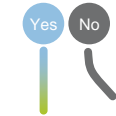
Questions to be answered

GATE

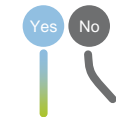
A

PRESS
RELEASE

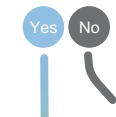
Is there a clear and believable customer problem?



Is the customer problem similar in several regions?



Does the idea fit in with the Vaillant Group strategy?



IDEA
VALIDATED
AND
TRANSFERRED
TO STAGE

B

PROJECT PROPOSAL

Stage B Project Proposal



**"Be passionate and bold.
Always keep learning.
You stop doing useful
things if you don't learn."**

Satya Nadella

How does it work?

Based on the one-page description of the idea from Gate A, the idea now will be qualified with some desk research.

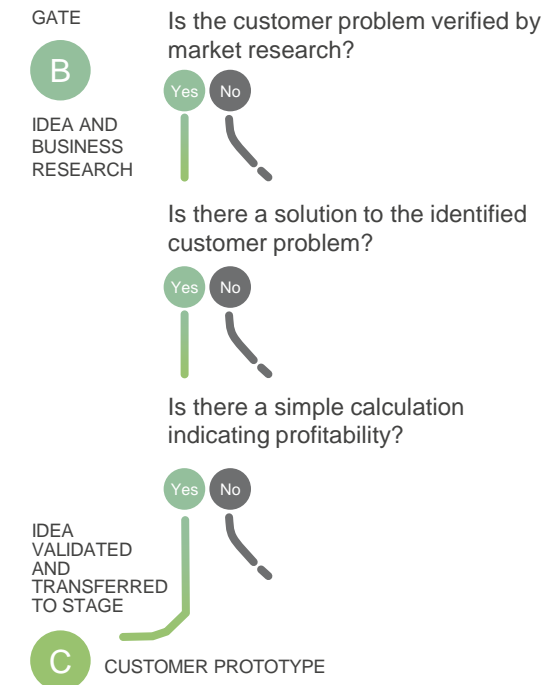
Before testing the idea with customers, it is worth knowing more about the customer, the customer problem, the market, existing solutions and so on.

In short, this is about learning a little bit more before jumping into action.

Available support and comments

- A dedicated helping hand from Vaillant Group Digital Strategy, Vaillant Group Market Intelligence and Vaillant Group Service
- Blueprints and tools as well as examples of how this stage was tackled by other projects
- Up to €25,000 budgeted in seed money to invest in the idea
- Stage B is a bit more challenging, on average it takes between four to six weeks to complete
- The workload will be documented in a Word document of a maximum of six pages
- Gate B takes about one hour, let's have an open discussion with heated arguments to find out if we still believe in the idea or not
- If necessary, we will facilitate a fast-track feasibility crosscheck with experts from VI-XC, IR-YE, FL-C and IQ-M

Questions to be answered



Core beliefs stages C & D

NEVER STOP BEING CUSTOMER CENTRIC

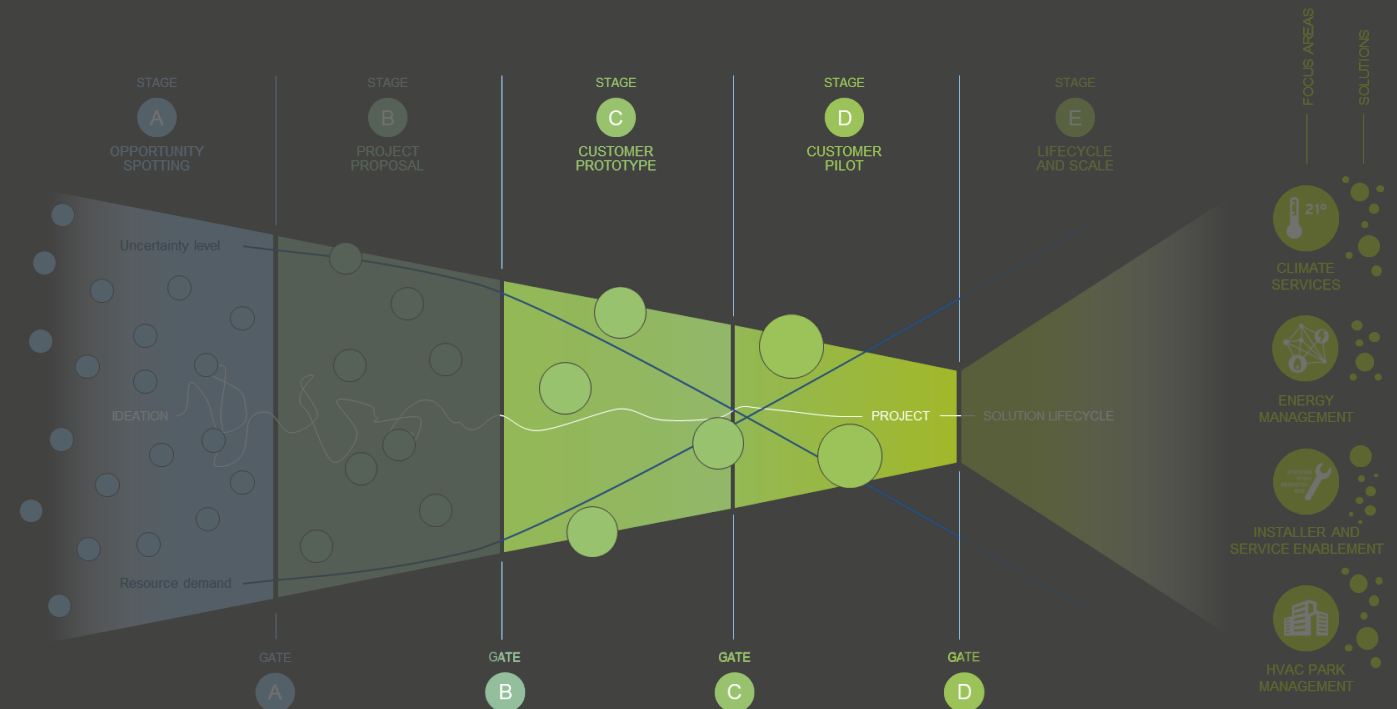
Stages C & D are about dancing with the customer. About 80% of the entire Strategy to Solution Process effort is engaging with the customer: observe, listen, discuss and most importantly, ask the right questions. Just talking to ten customers is not enough. During a recent customer prototype, over 1,000 customer touchpoints were conducted.

Once you confirm there is a customer problem, we need to understand if we can conduct business: a valid picture of willingness to pay, customer acquisition costs and other major drivers of any financial model enable us to draw a more and more realistic estimation of profitability.

Moreover, we need to be able to put what we learned into practice again and again: we have to avoid – as the business model proves to be promising – taking a long time to truly build and scale after a positive Gate D decision. Thus, our aim is to develop an operational plan and identify necessary capabilities to get a foothold.

Ultimately, no one can succeed alone, so sound stakeholder management is imperative. Start-ups take a lot of time to align with their investors, so do corporate entrepreneurs with their stakeholders (IX, IR, IQ, FF, FLC, MA, MM, MV, NSC).

VAILLANT GROUP



Stage C Customer Prototype



"If you never want to be criticized, for goodness' sake don't do anything new."

Jeff Bezos

How does it work?

First, congratulations! You made it through already! So let's start the really fun part.

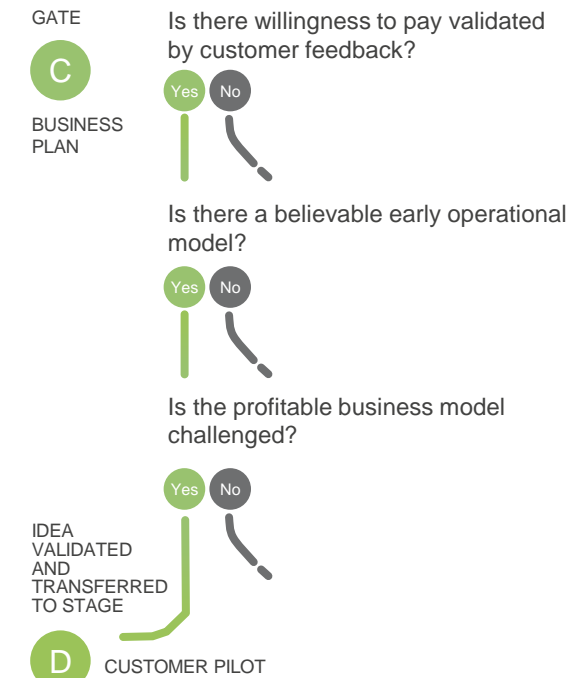
Nothing is tougher than a customer. Winning a customer over with a value proposition can be brutal, harsh and disillusioning. On the contrary, there is nothing more exciting than positive customer feedback, a customer who is happy about what we offer.

This stage is about building a prototype, not necessarily a tangible prototype but testing the value proposition with the customer – one of many ways can be a website on which we advertise the proposition to get initial customer feedback.

Available support and comments

- A dedicated helping hand from Vaillant Group Digital Strategy, Vaillant Group Market Intelligence and Vaillant Group Service
- A dedicated sherpa from Vaillant Group Finance to iterate the initial business case
- Support from Vaillant Group Customer IT to ramp up a website in seconds if needed
- Blueprints for tools as well as examples of how this stage was tackled by others
- Up to €150,000 budgeted as an early-stage investment into the idea
- Stage B is challenging, on average it takes between two to four months to complete
- The workload will be documented in a PowerPoint business pitch and a simple financial model
- Gate C is about two hours, let's have a meeting with top management challenging the idea and highlighting pointers for the next step

Questions to be answered



Stage D Customer Pilot



**"Price is what you pay,
value is what you get."**

Warren Buffet

How does it work?

Product to market fit – building and scaling a business model is extremely difficult and expensive. Before diving right in, let's proof that the customer is willing to pay for our idea. And if so, can we be profitable with the price he is willing to pay?

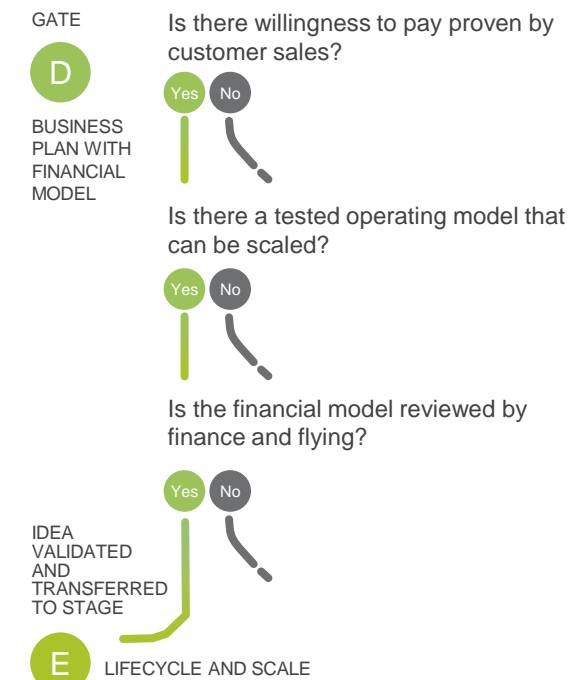
Moreover, this stage needs to show that the idea is operationally feasible: what does it take to market the idea? What is needed to execute it and scale it up? What processes and technology do we need? What are the bottlenecks?

A million questions, not all of them answered, constant challenges: Yes, this stage is tough, but we are in this together. Winning this round means you made it to the champion's league.

Available support and comments

- A dedicated helping hand from Vaillant Group Digital Strategy, Vaillant Group Market Intelligence and Vaillant Group Service
- A dedicated sherpa from Vaillant Group Finance to master the financial side
- Support from Vaillant Group Customer IT to ramp up validation technology if needed
- Blueprints and tools as well as examples of how this stage was tackled by others
- Up to €250,000 to invest into the idea
- Stage D is challenging, on average it takes between four to six months to complete
- The workload will be documented in a PowerPoint business plan and a challenged financial model
- Gate D is a more challenging effort, going the last difficult mile all the way up to the MD level. But it's worth it, since it's about investing millions into building and scaling a successful new business for the Vaillant Group.

Questions to be answered



Core beliefs stages E

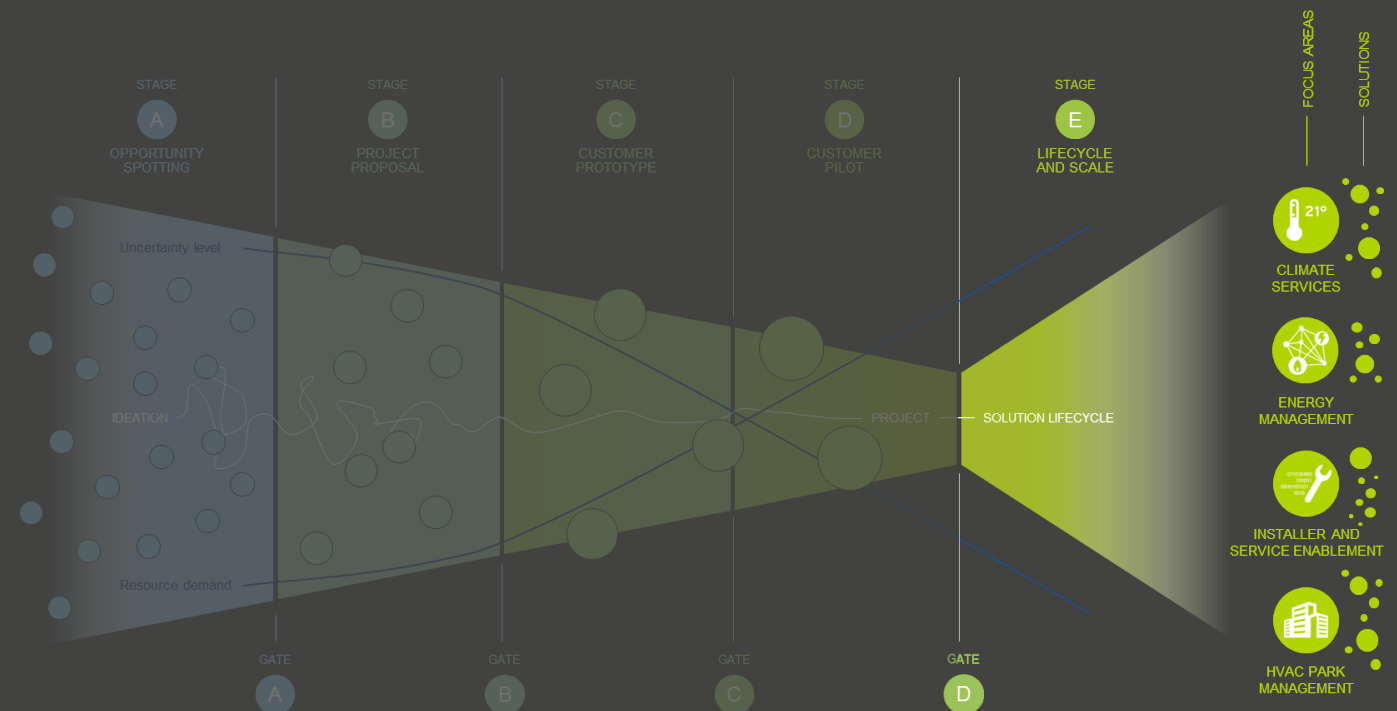
NEVER STOP GOING BOLD AND BIG

It was difficult to get here? Now that we know the idea was good, the customer wants it, there is a (possible) solution and economic sense is backed with data, the real work starts: new processes, staffing a new team, managing an ongoing budget, going to market, and building the scalable product are only a few of the myriad tasks to manage. Always now, always on, always 100%.

Shifting from project to lifecycle is a big step, so this decision needs to be aligned and agreed beforehand within our organisation, going forward all hands are needed on deck.

Here is where the product creation process truly starts, development, marketing and sales resources are budgeted. It is important to understand that teams grow with the success of the digitally-enabled business model's lifecycle.

Even more important to understand – we don't have a final business model yet; we have a validated indication, and we will have to iterate over and over again and maybe even pivot again until the customer is satisfied and willing to pay an amount that allows us to run a successful business.



Stage E Lifecycle and Scale



"The secret of change is to focus all of your energy, not on fighting the old, but on building the new."

Dan Millan

How does it work?

No more stages or gates. We have proven that the business model is promising for Vaillant Group.

Now it's time to scale up the business model at hand.

This means we build the value proposition in a way that we can scale the business across multiple National Sales Companies.

Behind the build and scale, we recommend working like a startup. The rollout typically starts focused on mastering one region but then expanding fast.

Of course, working like a startup does not mean avoiding responsible risk taking. Data privacy and cyber security are two examples of where we do not compromise.

Available support and comments

- A dedicated full-time team at the Vaillant Group Service to facilitate group-wide roll-out
- Senior leadership team as mentors to support fast decision-making
- Growth phase support across all measures to maximise success
- Marketing and sales assets to land the value proposition
- Fast track integration into standard processes such as support
- Professional from-cradle-to-grave lifecycle management
- Dedicated dashboards and reporting to improve based on data
- Curated data privacy and cyber security as a service from day one
- Roll-out into multiple regions is supported by a localisation blueprint offered by MA

Focus after Gate E

GATE



LIFECYCLE
AND SCALE

Build the business model and its value proposition to scale.

Grow fast, ideally across multiple National Sales Companies.

Prove commercial success based on defined business model KPIs.

Governance overview

FOCUS	Opportunity Qualification – VS in lead to facilitate		Opportunity Validation – MA in lead to facilitate	
STAGE	OPPORTUNITY SPOTTING	PROJECT PROPOSAL	CUSTOMER PROTOTYPE	CUSTOMER PILOT
GATE	2-4 weeks → A	4-6 weeks → B	1-3 months → C	3-6 months → D
GATE FORMAT	Word document, one page	Word document, five pages	PowerPoint, simple Excel	PowerPoint, Excel
GATE DELIVERABLE	Internal Press Release	Simple Business Plan	Business Plan, Business Case	Business Plan, Financial Model
Questions to be answered	<p>Is there a clear and believable customer problem?</p> <p>Is the customer problem similar in several regions?</p> <p>Does the idea fit to the Vaillant Group strategy?</p>	<p>Is the customer problem verified by market research?</p> <p>Is there a solution to the identified customer problem?</p> <p>Is there a simple calculation indicating profitability?</p>	<p>Is there willingness to pay validated by customer feedback?</p> <p>Is there a believable early operational model?</p> <p>Is the profitable business model challenged?</p>	<p>Is there willingness to pay proven by customer sales?</p> <p>Is there a tested operating model that can be scaled?</p> <p>Is the financial model reviewed by finance and flying?</p>
GATE DECISION	Group Service, Group Strategy, Idea Stakeholder	Group Service, Group Strategy, Idea Stakeholder	Group Service, Group Strategy, Idea Stakeholder	Roadmap Sprint, Market Place

Governance alignment

