Leveraging Digital to Transform Rexel

Rexel Digital Event

OCTOBER 18, 2019

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Leveraging the power of digital to create value

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Rexel is on a journey towards a data-driven service company

Data-driven service company

- Personalized, seamless customer experience
- New services and positions in the value chain
- Data-rich supplier relationship
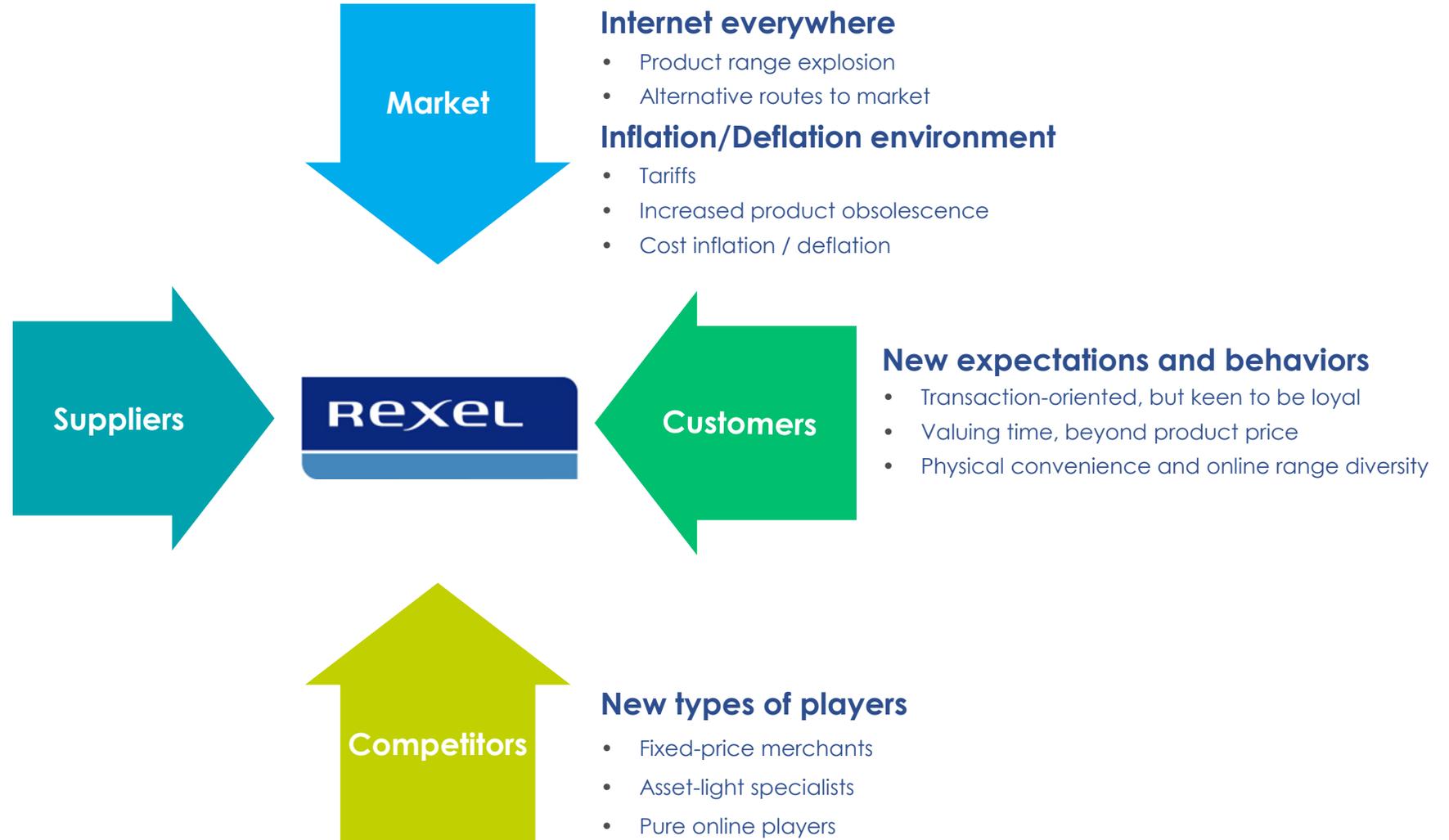- Machine-augmented operations & employees

Value-added distributor growing organically

- Assortment availability
- Segmented approach
- Technical skills on products

Logistics player growing through acquisitions

- Wholesaler approach
- Product knowledge

Rexel is adapting to a fast-changing environment...

Market

Internet everywhere
- Product range explosion
- Alternative routes to market

Inflation/Deflation environment
- Tariffs
- Increased product obsolescence
- Cost inflation / deflation

Management of increasing base vs. economies of scale
- Range explosion requiring many more suppliers
- Need for deeper, long-term agreements with top suppliers

Offer evolution
- More technology & complexity
- More complex go to market

Suppliers

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Customers

New expectations and behaviors
- Transaction-oriented, but keen to be loyal
- Valuing time, beyond product price
- Physical convenience and online range diversity

Competitors

New types of players
- Fixed-price merchants
- Asset-light specialists
- Pure online players

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Rexel is in the second phase of its Perform& Transform strategy

Transform

Perform

Trend towards customization

Improved services and predictive tools

Data-driven company

Robotization

Digitization

High ratio of web transactions

Active portfolio management

China refocus

Germany & Spain turnarounds

Supplier relationship

Pricing and margin

US turnaround

Asset disposal

More customers / more SKUs

Comex / Management strengthening

2016

Rexel has already become a major digital player

1 **digital order**
every second in Europe
every 30 seconds in the US

500k
Product info updates
each day

25%
Digital sales in Europe
17% overall

42
Order lines picked up
by customer to a European
branch each minute

~€2.5bn
Digital Sales
in 2019

+22%
Web sales growth
in North America vs LY

70%
of European sales followed
by track and trace

9
countries live in 12 months
"customer churn" solution

c. 60K+ orders
Live customer Email to EDI

2 digital hubs
150+ data & digital experts

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…and is upgrading its business model

		Proximity	Project	Specialty	
Residential		**High service level**	**Strong product database and configuration skills**	**Broad multivendor offer**	**22%**
Commercial		**Omnichannel**	**Specific delivery expertise**	**Expertise and recommendation skills**	**46%**
Industrial		**Major data use for personalization**	**High volumes but low margins, low WC**	**High margins, medium to high opex and low WC**	**32%**
		From fixed costs to variable costs			
		60%	**~25%**	**~15%**	

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Rexel's digital journey enhances our ability to seize business opportunities

CORE BUSINESS → NEW OPPORTUNITIES

Superior value proposition

- Personalized
- Every time & everywhere
- Reliable & relevant
- Seamless
- Omnichannel

Operational Excellence

- Back office digitalization
- Footprint optimization
- Enhanced inventory
- Sales effectiveness

Enhanced supplier relationship

- Data-rich
- End-to-end services
- Accelerator
- Long-lasting collaboration

New offers & business models

- Solutions for market segments
- Software as a service
- New customer categories

10 initiatives to maximize the benefits of digital transformation

CORE BUSINESS → **NEW OPPORTUNITIES** →

Superior value proposition

- Rexel Easy
- Last-mile differentiation

Operational Excellence

- Upgraded sales force
- Lean back office
- Optimized footprint
- Right-sized inventory

Enhanced supplier relationship

- Analytics as a service
- Demand forecast and steering

New offers & business models

- Integrated smart solutions
- Enhanced capabilities for electricians

Our digital sales growth is accelerating

Step-up in total digital sales

Web
EDI

€1.2bn
10% of sales

CAGR +6%

€1.6bn
13% of sales

CAGR +16%

> €2.5bn

c. 18% of sales

FY 2011 — 615 / 570

FY 2016 — 980 / 632

FY 2019e

Mid-term ambition : €4bn of digital sales

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Rexel's digital ramp-up goes hand in hand with higher margins

Country illustration

Ebita margin

X %   2x %

Adjusted Ebita €M   Digital penetration rate %

Digital penetration rate: 14% (2009), 17% (2010), 21% (2011), 27% (2012), 31% (2013), 36% (2014), 38% (2015), 41% (2016), 43% (2017), 45% (2018)

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A scalable model with further growth potential
Digital penetration varies by geographies

North America

Europe
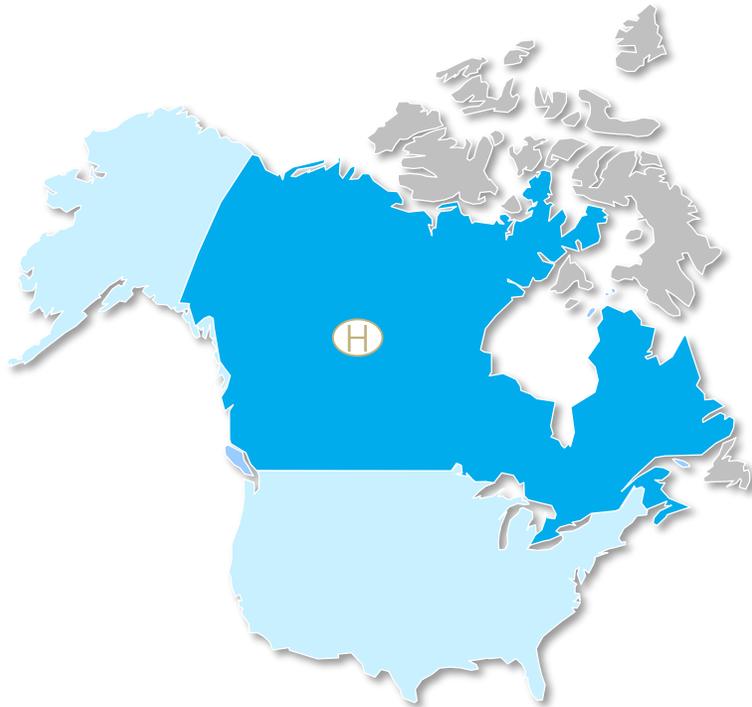
Asia-Pacific

— **North America : 10% of sales**

— **Europe : 25% of sales**

— **APAC : 2% of sales**

September 2019 penetration rate: ■ > 30% ■ > 10% and 30 % ■ < 10%

Ⓗ Hybris
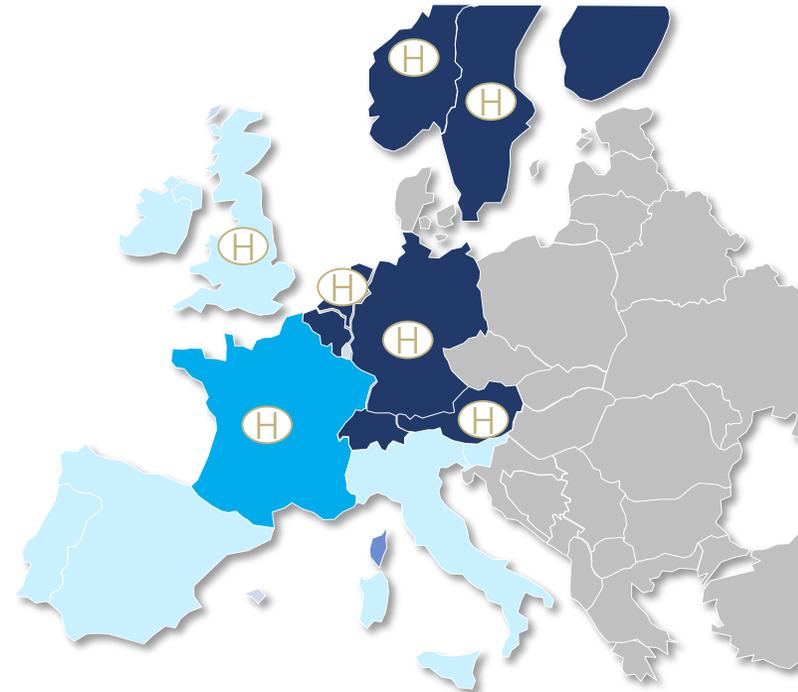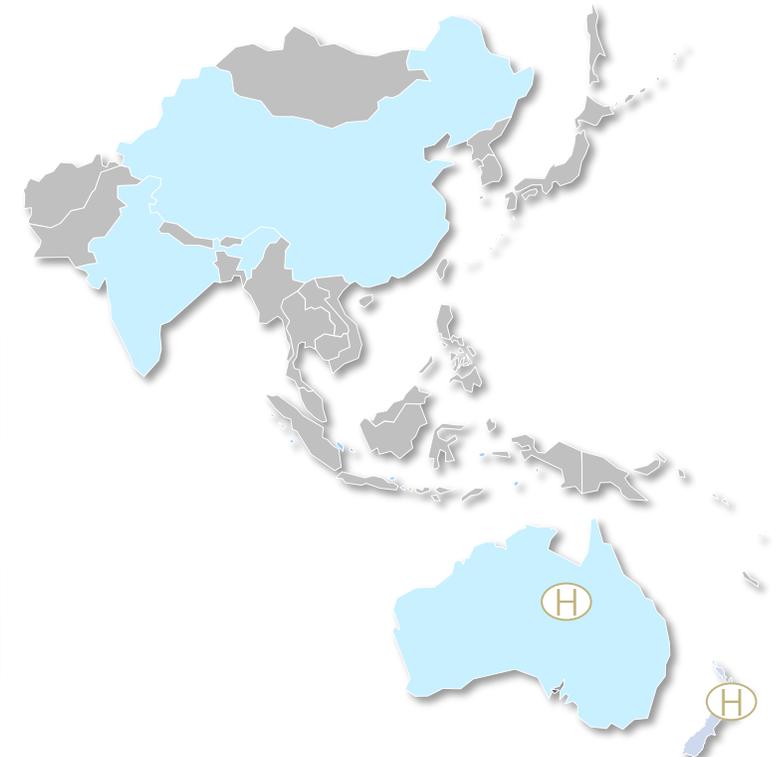
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Rexel's digital transformation in action

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Rexel Easy

Seamless experience

Making Rexel Easy for all our stakeholders

Easy to do business with… for customers

- Account opening: 5 minutes
- Claims and returns: One decision
- Track and Trace, quotations… : Real time
- Answering Service: 3 rings

Easy to work with… for suppliers

- Eliminate dual roles
- One to one interfaces:
  Credit, purchases, supply chain

Easy to work at… for employees

- Talent attractiveness
- Immersion week and introduction journey
- Tools, training and e-learning
- Review and career path options

Reviewed processes and rules, more end-to-end construction:

- Improved customer satisfaction
- Renewed and strengthened supplier relationship
- Seamless employee journey

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"Rexel Easy" for a seamless customer experience

Track & Trace with active notifications

Allow customers to be aware of the status of their orders and to be notified in case of change

Lead times displayed on non-stocked items

Engage customers, before and after their purchases, by displaying and notifying accurate delivery dates.

Offline & online trade account opening

Shorten account opening process by differentiating payment modes, customer segments and back office processes to accelerate Customer acquisition process
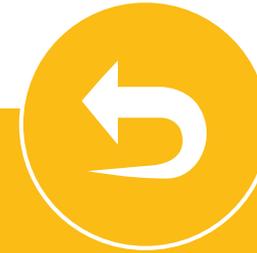
Product returns & customer claims

Post-transactional features improve customer adoption, stickiness and trigger re-purchase. Initiate a return, make a claim on the web.

Gradual roll-out in all our countries

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Last-mile differentiation

…when digital and robotics allow new proximity models

Bringing Rexel closer to its customers

Autostore offer

"Your product in 3-10 minutes"

Digital interface, order entry and assortment

- 12k SKUs vs. 3k – 5k
- Productivity gains 25-30%

In-motion solutions

"The essential assortment available at your place"

Digital replenishment of pre-formatted casted units

- 3,200 "solutions", in situ or mobile
- 23,000 sales orders YTD
- 120,000 sales order lines YTD

24/7 self service

"Whenever you want"

Branches open 24/7 thanks to full digital

- Customer log in
- Pricing automatically adapted
- All documents available online

Optim. branch assortment

"The optimal assortment, next to you"

Maximization of Day-0 sales with predictive data analytics

- Better level of service
- Continuous flexible adjustment
- Productivity gains
- Lower inventory depth
- Higher turning rates

Basel autostore presentation video

Play
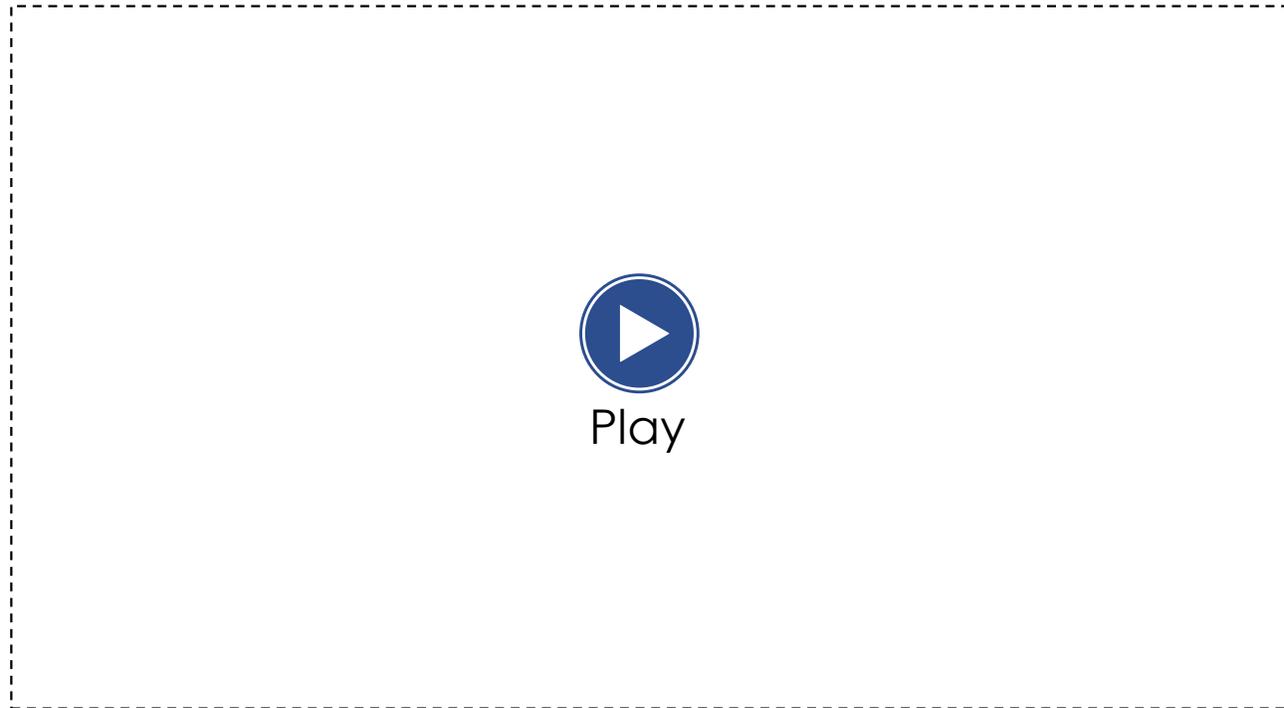
Next Best Offer: Recommend the right product to the right client at the right moment on the right channel

Purchase stage x Channel

Client knowledge		Order not started	Order started	Order completed
Unknown client		Best-seller	Complementary product or Substitute	X
Known client • Type • Past interactions		Next Best Product based on client type and historical interactions	Next Best Product and/or Complementary product or Substitute	Next Best Product and/or Complementary product

Proprietary AI drives sales growth

Leveraging machine learning to reduce customer churn

1 **Alerts sent in CRM** with potential root cause

2 Visit preparation thanks to **recommended action plans**

3 Sales representative **visit under 10 days**

4 Visit report **with dedicated questions on churn** cause
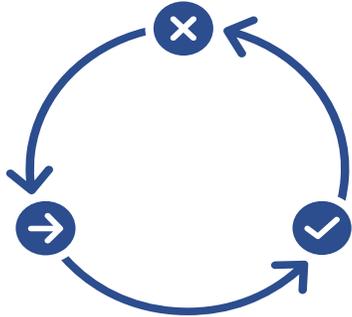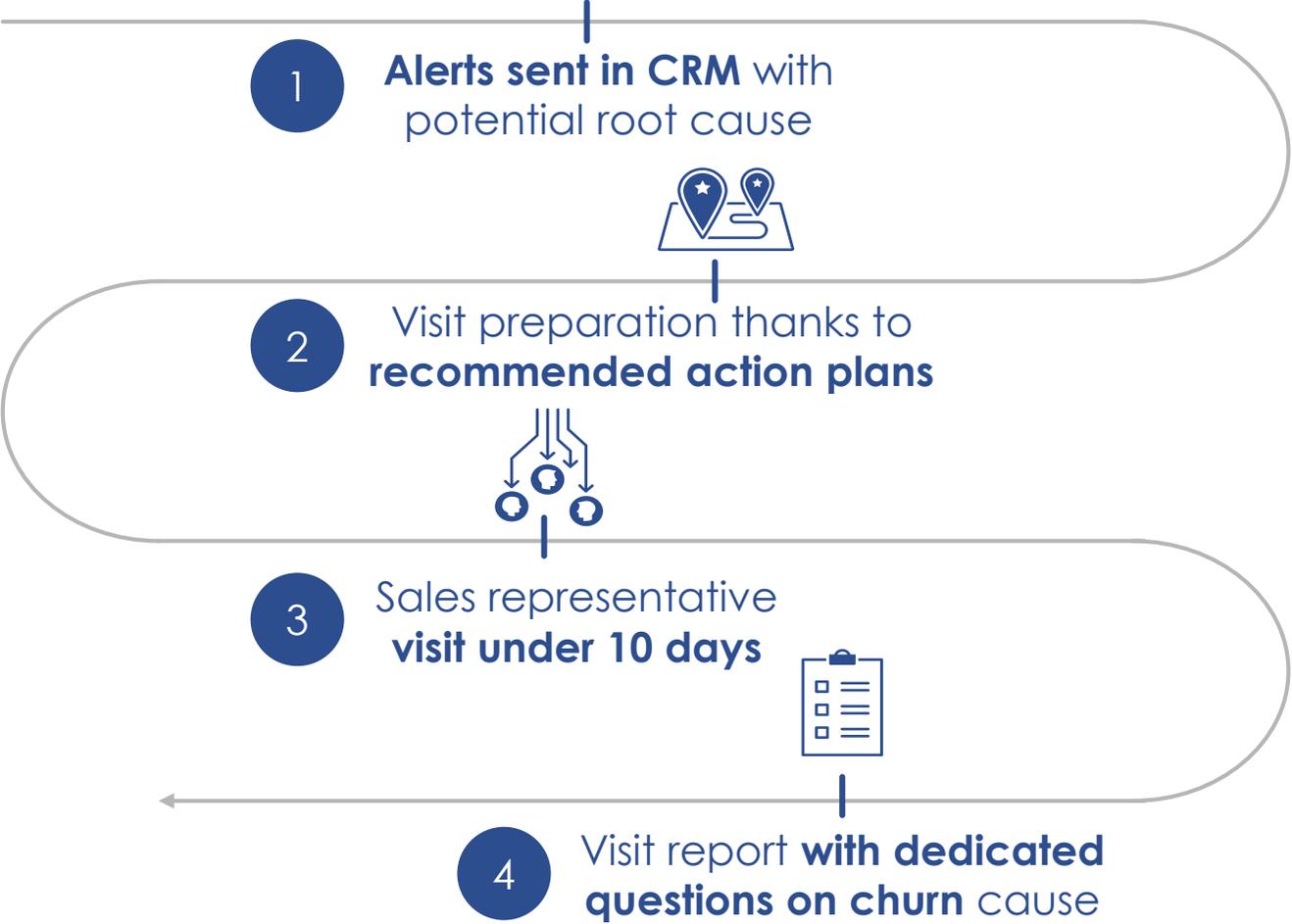
Feedback integration as part of a continuous improvement process through **machine learning**

Churn alert process prevents sales loss

Average sales
before alerts=100

**After-alert sales (€) compared
to pre-alert sales**
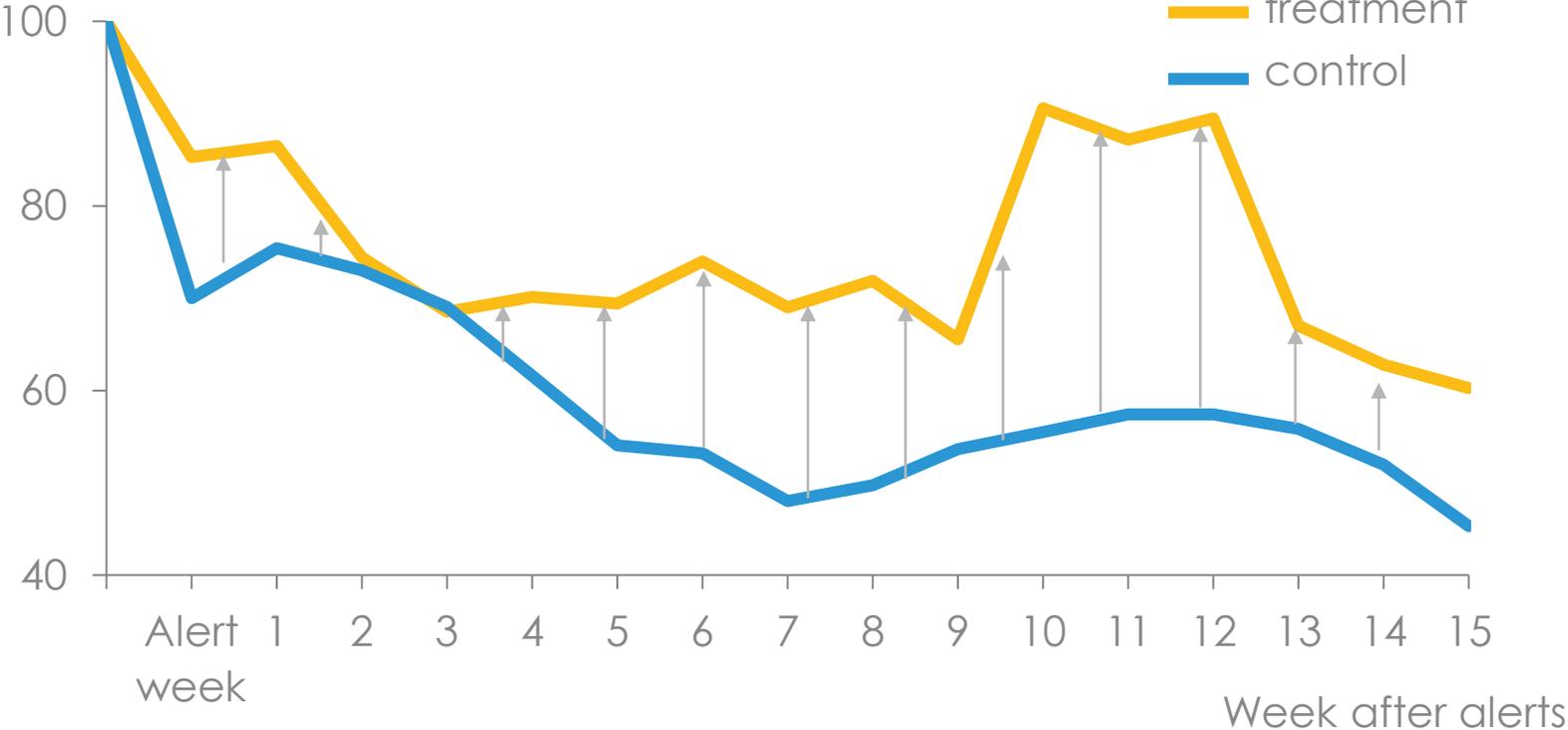
+15%
of sales
saved

1. Reference: average sales during the 6 months preceding alerts
2. 4 alerts waves averaged and smoothed with a 3 weeks moving average

Lean back office

...email to EDI to maximize productivity

Email to EDI frees up time for customer acquisition & eliminates error risks

Manual PO keying represents a large, seasonal & untracked part of the workload in our branches

Automated PO processing

CUSTOMERS

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ERP

PO

ERP
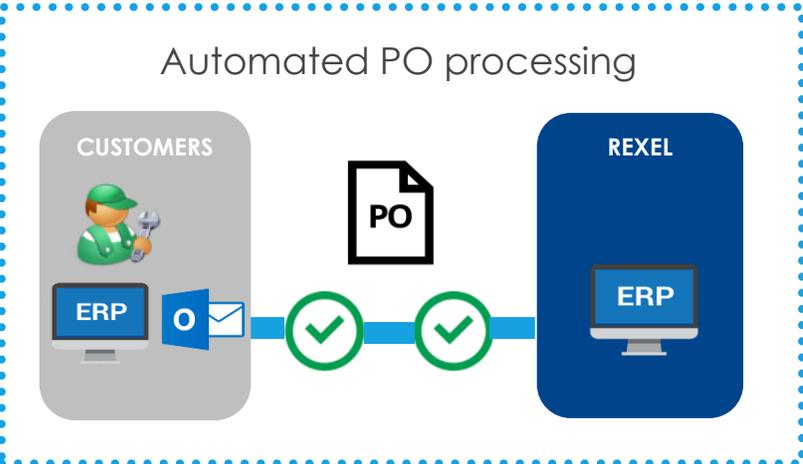
Phase 1

Opex reallocation
Prioritize activities on value-added tasks (chat, outbound calls, customer service)

Improved efficiency
Prevent typing mistakes and reduce PDF to order time

Employee experience
All PO information available in one place (ERP), better document tracking

Phase 2

Next best action
Data-driven proposition to upsell/cross-sell/substitute

Improved customer promise
Potential cut-off alignment with supply chain

Smart reports
Reports based on customer purchase behavior and history

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Email to EDI : 6 countries in 9 months

Live in 6 countries in Europe
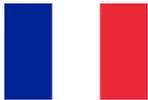
France

Austria

Belgium

UK

Netherlands

Germany

400+
live customers

45,000
orders digitalized YTD

1,000
target live customers
in 9 months

250,000
Digitalized order lines YTD

4'30
between email received
by sales rep and order
sent in ERP

Supplier analytics portal: Value-added services for suppliers
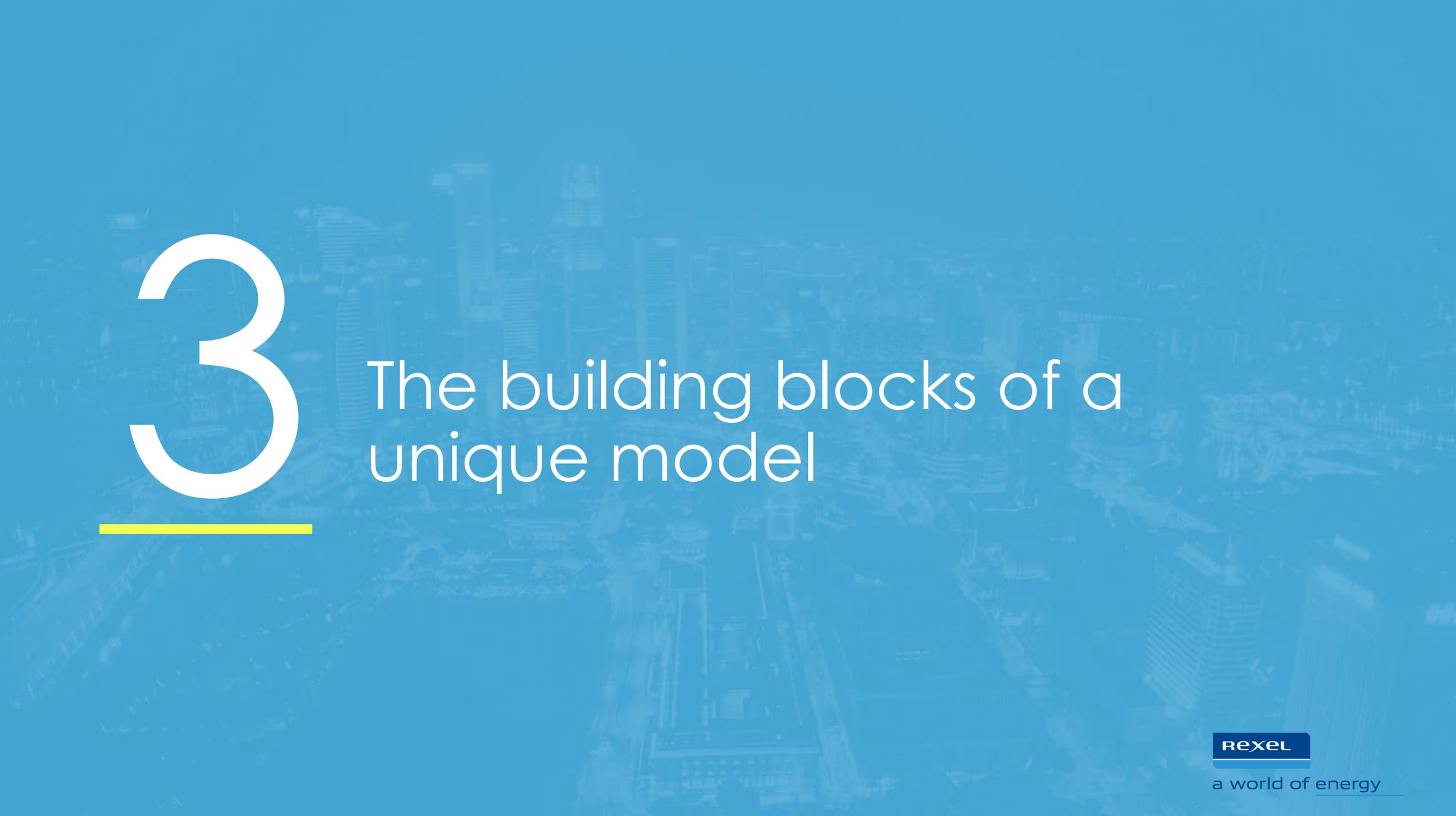
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The building blocks of a unique model

Rexel has unique access to data

DATA NATURE		
600,000 active customers	>	Customer profile(s) & evolutions
500,000 order lines / day	>	Accurate demand
50,000 customer visits / week	>	Sensitivity to offer/demand
15,000 quotations / hour	>	Price sensitivities
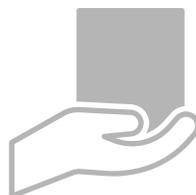
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Building a proprietary and scalable model

Role of the center: Building platform & scale

Development of proprietary AI solutions

Data platform and secured environment

Critical mass of key talents (data scientists, solution owners)

Agile methods

Countries in the driver seat
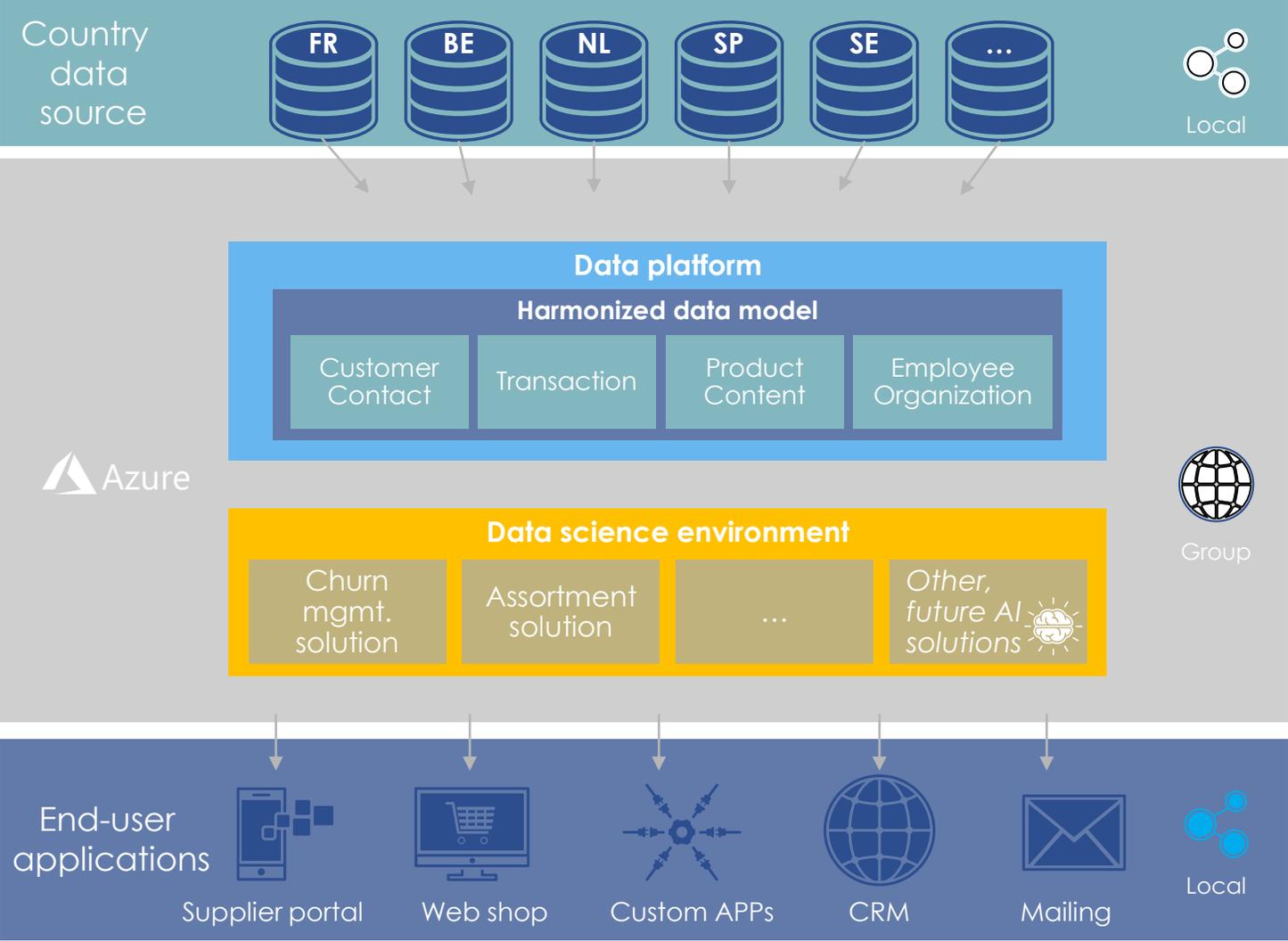
Pain points identification and focus on value creation

Country-to-country replication of best practices

Fast roll out

Our data platform: A single source of truth to allow scalability

Country data source

| FR | BE | NL | SP | SE | ... |

Local

Azure

Data platform

Harmonized data model

| Customer Contact | Transaction | Product Content | Employee Organization |

Data science environment

| Churn mgmt. solution | Assortment solution | ... | *Other, future AI solutions* |

Group

End-user applications

Supplier portal Web shop Custom APPs CRM Mailing Local

Industrialized data collection process around a harmonized platform

Fast-paced development and deployment methods thanks to adapted set-up

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Transforming the mindset to transform Rexel

Recipe for success

Focus efforts on change, and not only on technology

10% Algorithms

20% Technology

70% Mindset Change

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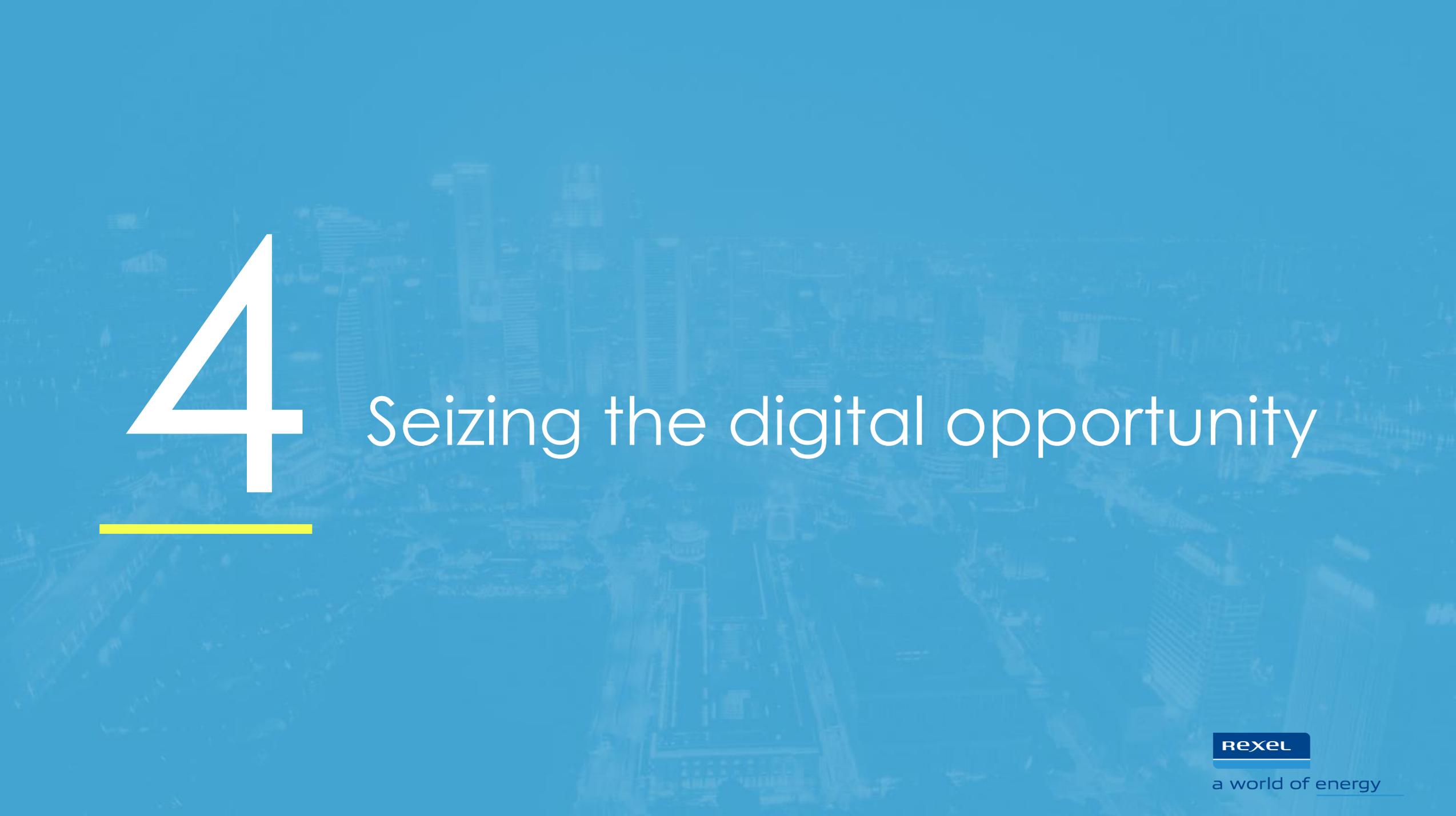
4 Seizing the digital opportunity

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The digital transformation results in a more agile and productive organization

- Traditional IT system → Harmonized IT Platform

- Large branches → Reduction of square footage

- Traditional inventory management: High obsolescence level → Optimized inventory management

- Traditional sales organisation → « Sales excellence »:
  - Improve sales efficiency
  - Full-time focus on expertise and customers

- Large back-office organisation → Back-office digitalization
  - FTE maximization facing on products and customers: Email to EDI, track and trace…
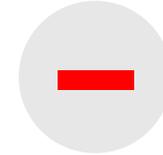
DIGITALIZATION

Digital represents a major opportunity for Rexel

+ Additional value creation...

- Improves pricing power through enhanced customer experiences and richer value proposition

- Strengthens Rexel's competitive position

- Increases client stickiness

- Drives productivity gains

- Decreases cost to serve after initial phase

- Optimizes cash through better inventory management

- Brings more value to suppliers

− ...requiring some investments

- Higher capital Intensity, with shorter depreciation period

- Impact on profitability in the first years with higher IT opex

- Requires organizational adaptation

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Key takeaways

- Rexel is already a major digital player in its industry

- Digital transformation goes far beyond web sales: It is a paradigm shift that impacts every level of the organization

- Digital transformation increases the barrier to entry as scalability requires investment and customers want an omnichannel access to the market

- We have the organization in place to scale the model, fast and with low additional cost

- Digital transformation is value accretive, thanks to an enhanced value proposition at a lower cost to serve

Rexel: Leveraging digital to consolidate its leadership

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