



“WE ARE VERY CLOSE TO OUR CORE BUSINESS”

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Mr. Hahn, when it comes to digitalization the chemical industry is not exactly regarded as a pioneer. Is that also your view?

No and yes. In the area of production plant operation, I believe we are clearly a pioneer in the processing industry. The chemical industry has long been using process control systems—comprehensive digital package solutions for intelligently managing and visualizing plants. It also uses process simulation, which speeds up and simplifies the development and optimization of technical processes. But when it comes to comprehensively connecting customers and suppliers with our operations, making consistent digital customer experiences possible, and using established digital marketing tools—in these areas, other industries are ahead of us.

Has the chemical industry simply failed to respond to this trend?

I wouldn't say that. Digitalization isn't a revolution that happens overnight. It's an evolutionary process. And the chemical industry is in a comfortable situation: Our customers appreciate us because of the added value we reliably create. But will things stay this way? I doubt it. We are part of an industrial network consisting of customers, suppliers, and competitors, and digitalization is changing our interactions within this network. The sharing of information is becoming simpler, faster, and more direct. In the future, the focus won't be only on what we produce but also on how we interact with our customers. And that will have an impact on our processes.

Can you give us an example?

One practical example would be logistics services. More and more producers are connecting with their customers and thus gaining direct access to their business software. They are processing orders via digital channels and platforms, and as a result they can plan their carriers' capacity utilization much more effectively. Customers that don't use this option and prefer to use fax machines, phones, and e-mails are slowing down their own operations. They can no longer cooperate efficiently with many providers of logistics services.

Dr. Henrik Hahn is the Chief Digital Officer of Evonik, manages the operations of Evonik Digital GmbH together with Dr. Catharina Müller-Buschbaum, and is the Chairman of the Digitalization working group of the German Association of the Chemical Industry (VCI). In this interview, he explains the role that digitalization is playing in the chemical industry

What conclusion do you draw from that?

We have to make sure we adapt our own processes to this development. And by that I mean not only production but all of our business processes, from human resources to research, application technology, and finance. That also includes the use of artificial intelligence, although I prefer to use the term “augmented intelligence.” At the same time, we should forge ahead with our own digital integration within our industrial network, create new digital channels, and develop new digital platforms. Above all, we have to get our customers enthusiastic about our offers in this regard. One example of that is the PLEXIGLAS® online shop for our business customers in the UK.

Enthusiastic about what?

Take a look at the end consumers. They don't buy products from an online shop because the transactional processes behind it are so wonderfully efficient. They shop there because it's convenient and because it's fun if the shop is well-organized. I think that our shopping behavior in the private sphere will spill over into industrial purchasing—that one day our customers will even expect to be able to buy our products online without having to take our business hours into account. And that will make the customer experience increasingly important.

What makes you so sure of that?

Let me give you a small example. At the beginning of last November we opened a store on the B2B platform Alibaba. There we offer silica, anti-foaming agents, and PLEXIGLAS®. Through this store we want to primarily address small and mid-sized companies in China that we might not reach otherwise. We received our first order even before we had officially announced we would be represented on Alibaba—even though nobody could have known about our store at that time. The customer had found us nonetheless while surfing through the platform.

How can we make online shopping for chemicals an “experience”?

We have to examine the customer's entire journey, from simply receiving information to purchasing a product. How does the customer make this journey, and what does he experience along the way? All the digital tools he uses must be designed to make him enjoy using them. They must make the customer's virtual journey through the company as easy as possible. If that happens, he'll enjoy coming back. Incidentally, this approach fits in well with the concept of specialty chemicals.

Which is more important: the digitalization of a company's internal processes, the company's integration into the industrial network, or the customer experience?

We shouldn't prioritize prioritization. Digitalization is an organizational task. Obviously, we address efficiency in the production process because we want it to basically be easily measurable and because it brings quick returns, as a rule. But efficiency can be tricky. Focusing on efficiency can be a distraction. It may cause us to neglect areas that are just as important or avoid dealing with certain issues at all. That's because it's much harder to measure the value of digital

tools in internal business processes, such as those in human resources departments.

What about new business models?

At first glance, people are tempted by innovative business models that are as disruptive as possible; business model innovation is also a very popular buzzword. But these models require a great deal of patience. In the chemical industry we can't completely shift over to a digital business model—unlike the insurance sector, for example. Ultimately, molecules are the factor that makes new and more effective products possible for our customers.

Are you saying that there are limits to what can be digitalized in the chemical industry?

That's not what I meant. But there will always have to be someone who produces chemicals. The question is: Will our role be reduced to that of a manufacturer in the long term, or will we succeed in providing the customer experience as well? In other words, will we have to hand over part of the value creation process to vendors or online shop operators because they have better digital tools? Finally, it's also a question of asserting our innovation prerogative. Companies that are in contact with their customers know what the market needs and can react appropriately in the area of research and development.

What's your solution?

We want to not only keep the value creation process inside the company but also expand it. That includes entering into partnerships in order to boost digitalization—with renowned technology companies and science partners as well as startups and digital agencies that are not yet very well known. This is where we have successfully laid the groundwork for a digital ecosystem for the Group.

You and your team have moved out of the Evonik headquarters.

Aren't you running the risk of operating at too great a distance from the Group?

No, not at all. We are a corporate unit within the Group. As a result, we have addressed many themes that the operating units have already anticipated or that we initiated together with them. Our operations are very close to our core business, but we're also able to look beyond our current horizons.

What aspects do you think will change at Evonik in the next ten years as a result of digitalization?

E-commerce will become much more important than it is today, not only because of its high degree of transaction efficiency but also because we'll be able to use it to attract new customers. We will also have a higher degree of automation due to assistance programs and robots. But above all, we will realize that human beings are indispensable. People will still be needed, because the machines and algorithms must be organized and controlled. And in order to do that we'll need more than just technology and data. At Evonik, human beings are the focus of digitalization—and we express that fact through our #HumanWork philosophy. Incidentally, I believe that we are pioneers in this area as well. —