

Strategic priorities

Strategy

To achieve its vision, implement its business concept and attain its growth, profitability and capital utilization goals, Alfa Laval has established various strategic priorities that encompass customer collaboration, a focus on products and working to further strengthen the after-market offering.

Customers

Alfa Laval endeavors to optimize its customers' processes. Naturally, the company's products play a key role in this. But customers tend to weigh other criteria as well when they evaluate their overall experience with a supplier. They look at the product's quality and efficiency, of course, but also at the seller's service and knowledge, how easy they are to reach and how quickly they respond with answers to any questions. They evaluate how helpful the supplier can be if something happens and they need to order spare parts and service. They also look at how punctual the supplier's deliveries are and,

in many cases, even at the supplier's sustainability work, to name a few examples. Alfa Laval endeavors to be a company that is easy to do business with. By meeting the customer's expectations and needs, from the initial contact through the sales process to delivery and even in the aftermarket, the conditions are created for a positive customer experience, making it more likely that Alfa Laval will become their first choice for their next procurement.

Alfa Laval works on a broad scale to simplify customer collaboration. One aspect of this involves an organizational structure created to ensure short decision-making

paths and thus faster customer contacts. Another involves the establishment of three standardized business models to address customers' differing needs, challenges and purchasing processes.

1. Standard – sale of standardized components through channels and online, with a focus on easy accessibility and lead times.
2. Configured – standardized components with standard configuration formats for adaptation to specific applications, capacities, etc.
3. Project – customized systems and solutions for customers with specific requirements.

CUSTOMERS

Improve our interaction with customers

PRODUCTS

Capitalize on our technical competence

SERVICE

Continue to develop our service offering

There are also other ways to make things easier for customers. Alfa Laval therefore works actively to improve and develop its digital platforms, including everything from the company's website and e-commerce platform to marketing initiatives and social media. The goal is to reach the customer early in the decision-making process, help them find Alfa Laval's website, make it easier for them to find what they need there and even offer them a way of configuring as well as ordering products online. Purchasing patterns change and it is essential to keep up.

Products

Alfa Laval's product offering in the three key technologies of heat transfer, separation and fluid handling serve as the foundation for achieving the company's goal for profitable, organic growth. The efficiency and quality of these products are considered – and expected to remain – key criteria for customers who want to improve their competitiveness while reducing their energy consumption and environmental impact. To ensure that Alfa Laval's product offering is constantly one step ahead of its competitors, the company invests approximately 2.5 percent of its sales in R&D. This level reflects an intensification of the company's development efforts in order to increase the number of products launched during the coming years. This may include everything from brand new products to improved versions of existing ones. Another important aspect of development work is identifying new areas of application for existing products. When it comes

to products, the company also turned up the pace by introducing more focused activities to ensure that the time from concept to product launch is substantially shortened. This is an overall change that affects all product groups, but heat exchangers and high-speed separators are two examples where the focus is on new, differentiated platforms for various areas of application. A number of new products were launched during the year, encompassing everything from heat exchangers, fresh water generators and separators to membranes, ballast water systems and systems for monitoring separator performance.

At the same time, the consolidation of production to fewer units in Europe, the US and Asia continued under the Footprint program with the aim to strengthen Alfa Laval's products and competitiveness over time.

While the focus is mainly on organic growth, the product offering can naturally also be strengthened and expanded through acquisitions – primarily of supplementary products in the three key areas, but also of products that are new to the company and complement the offering in application areas where Alfa Laval is already represented.

Service


The aftermarket – meaning service and spare parts – is a significant part of the company's business. It involves local activity with a global presence comprising more than 100 service centers worldwide. Alfa Laval's products have a long service life, which forms the foundation for a large in-

stalled base that – to varying degrees and with varying frequency – requires both spare parts and service. Thus, the installed base has inherent revenue potential that the company aims to capitalize on through various reinforced activities. These may comprise an expansion of additional service centers or the introduction of further automation or standardization of the service execution. Alfa Laval has a comprehensive aftermarket portfolio and can tailor its offering to individual customers. The work to further refine this packaging of aftermarket products will continue, including elements of digitization. At the same time, this focus on service goes hand-in-hand with the other two strategies – being swift in dialogue and collaboration with the customer and supporting the offering of high-quality products with an equally high-quality offering of spare parts and service. It should be easy to do business with Alfa Laval.

An initiative that can be used to illustrate new manners of working is the Marine Division's global service organization – International Marine Service. It offers constant support and service to marine customers, regardless of where in the world they are located. The structure is based on six service hubs that cover three regions, with seamless transfers over time zones. Coordinators and service technicians at these service hubs can provide technical advice remotely. The organization also includes service engineers positioned at various ports around the world – ready to mobilize.

Acquisitions and divestments

Between 2014 and 2018, Alfa Laval made three acquisitions with combined sales of SEK 3,664 million, corresponding to average annual growth of SEK 733 million.

YEAR	ACQUISITIONS	DIVESTMENTS	REASON	SALES, SEK MILLION*
2014	 Frank Mohn AS	–	Product	3,600
2015	Service Multibrand	–	Channel	50***
2016	–	–	–	–
2017	–	–	–	–
2018	Asymmetrical heat exchangers	Greenhouse – shell-and-tube heat exchangers	Product	120***
		Greenhouse – heat exchanger systems	Product	300***
			Product	14****

* Refers to sales for the year preceding the acquisition or divestment. ** Expected sales for 2015 on the acquisition date.

*** Sales in 2017. **** Sales between June 2017 and June 2018.