



shift to tomorrow

WITH HOST DIRK BEVERIDGE



Moving From Crisis To Opportunity In 30 Days

WITH GUESTS

MICHAEL WERNER & VINCENT PAYEN

CO-FOUNDERS, HOMEX

Dirk: So those of you who are new here I'm Dirk Beveridge, founder of UnleashWD, we are a design innovation and strategy firm who is committed to transforming legacy distributors into nimble and innovative market leaders, and we're just absolutely thrilled to bring this six-week program that we've called shift to tomorrow to you, each Sunday and each Wednesday. This follows on March 13th, that's when I at 1:000 AM, that's when I had the epiphany that the world is going to change. I'm a little slow. March 13th, that happened. And in 36 hours, we turned around our first Sunday conversation like this, and we call those leading during the coronavirus pandemic. And so from March 13th up until Easter, we had four or five of these types of conversations, and then what happened is over the Easter holiday... We call it our Easter pivot, and we said, You know what, what we need to do is we need to ensure that we're not only managing through the crisis right now, but that we're picking up our eyes and we're looking towards the horizon, and that we're shifting to tomorrow, we know that we're gonna come out of this, we know that there is another side of this crisis, don't know when, but this is really the opportunity for all of us as leaders to ensure that our companies are better and stronger positioned on the other side, easier said, then done.

Dirk: But that's what these weeks are all about, here is this week's promise today, and on Wednesday, in my open letter to distributors, I had 13 premises of how we could be shifting to tomorrow, we're gonna focus today and on Wednesday on this premise, and my premise is this is that leaders can and should use the covid 19 pandemic as a launch pad to strategically analyze their business model and in many cases, accelerate business model innovation, and in order to do that... Let me skip ahead to Wednesday. I really hope that you have on your calendar this coming Wednesday from 30 to 4 o'clock, when I'm going to be having a deep dive class with Saul Kaplin, who's the founder of Chief Catalyst of The Business Innovation Factory. I'll tell you a little bit more about what we're gonna talk about on Wednesday at the end here today around 430, but that leads us to today, today we've got just an amazing opportunity to have four conversations with the five individuals that you see on here, all focus on this topic of business model innovation, so let me introduce you to our first two guests, and Michael and Vincent, you guys can sign on when you're ready, turn on your videos so that we can get ready, but the first two are Michael Werner and Vincent Payen, who are co-founders of HomeX, a startup organization that is radically setting out to improve home services for consumers and providers, and they are in the process and have built a platform to bring together...

Dirk: This is what I think is just absolutely crazy to bring together contractors, distributors, manufacturers and consumers, and they were kind enough to share their story about six months ago during our Unleash Innovation Summit, and we're here to learn about what they've titled, **Moving From Crisis To Opportunity In 30 days**. So, Michael, Vincent, welcome. Welcome both of you guys.

Michael: Thank you, thank you for having us.

Dirk: Thank you, I really appreciate it. And Vincent can hear you, but we can't see you just... There you go. So Michael, can you start by telling us about homeX? I know in less than three years, man, you've had this idea, I remember sitting down with you the Marriott sometime ago, when it wasn't even an idea yet, and here you are three years later/

Michael: And I wish we were outside on our bikes together, I would rather be riding with you and cooped up indoors, talking on video without... And thanks for having us. **The idea of HomeX actually goes back to what we thought was the Great Depression of our times, which now is a minor recession compared to what we're facing with today, and it actually came about during the 2008... 2013 housing crisis,** when I'd been asked to give a keynote address at the kitchen and bath show, I was on the board of it, and I was asked to give an address in the show. And at the time when I was asked to give it, I didn't realize how bad the industry was from the standpoint of being completely fragmented, so when I was asked to give the address, I said, I might as well spend some time and really understand what's going on as I did my research, we all knew that **the industry was just decimated,** went from two million housing starts to 400,000, millions of people had lost their jobs. And as I looked at it and **I said, What can we do to change it? Coming out of it, I came up with a simple idea, which is that if we could leverage power of technology and leverage networks, we could fundamentally change this industry and make it better for everybody.**

Michael: So fast forward a couple of years in 2016, I had left Globe Union and literally on my first business strategy planning brainstorming session, I asked Dirk, because when I think about innovation and I think about thinkers, I can think of nobody better than Dirk to be there with me. And typical **Dirk, pressed me on my vision on the culture around the value prop and the business model, you kept saying, How are you gonna do it, what's gonna be different, what are the big shifts that you see that drive this vision?** And at that time, there were three big things that really propelled us, one was a fundamental shift in the economy, if you think back, going back to our great-grandparents, they were agrarian, and then my grandparents were extractors, they made ladders, and then when I came out of school, I was in the service world, I worked in investment banking, **but today it's becoming all about experiences, companies like Starbucks, Disney Airbnb, apples, start with hotels, they're all part of what we call the experience economy, and hence that's really our name home stands for home experience. People wanna take the friction out of their lives, they wanna enjoy living more, and they wanna enjoy what they have, and as you think about our post-covid world that we will encounter in the next couple of months to years, it's gonna be even more important.**

Michael: The second big shift was that there's a huge gap between demand and supply, and that's driven by demographics and driven by people's interest you... If you think about it, my parents and many of our parents physically can't take care of their homes anymore, my generation, I'd rather be on my bike or my skis, we don't want to... And our kids, they're brilliant technologists, but they don't know the difference between a flat head and a Phillips screw driver, and as everyone knows, particularly those like yours as well, and as everybody knows, particularly those of us in the trades, the average age of a plumber, an HVAC tech is in their 50s, it's really hard to get people to go into this industry. And that gap is bad for everybody, for consumers, it means that the experience is poor, **we call it the T's, there's a lack of trust, there's a lack of control of the time, and there's very little transparency, and for the providers, it's equally as bad.** They're great with the tool case, but they really don't wanna deal with the brief case, many times their hair's on fire 'cause they can't run their businesses, so they lack the tools to professionally manage their train.

Michael: And the third big shift is that technology has become an enabler, whether it's mobile

computing, the cloud, video services like today. Technology is now ubiquitous. Everybody can leverage it. So the vision we built was to radically improve Home Services and literally to try to help everyone throughout the value chain, the contractor, the consumer of course, but also the distributor or the manufacturer, the manufacturers, rep and everybody, and as we were starting to really lay out the strategy, we had a fundamental obstacle, the home services industry today was really not different than it was in 2010 or 2000, in that it was completely fragmented, it was fractured, everybody would throw stuff over the wall, there was no synchronized supply chain, there was no synchronized way of running the business. So we really took a page out of Daniel Burnham, and I think it's set for today, and Vincent a couple minutes, we'll talk about the ship we've gone through most recently, but Daniel Burnham, great Chicago builder. After the fire he said, Make no small plans, and we decided that to really do what we wanted to do, we had to create an end-to-end solution for consumers and also for the service providers, and along the way it would provide an opportunity for manufacturers and distributors to get closer to their customers, whether they're their consumer or the contractor, so sure, we're building a business that's gonna help everybody in the supply chain, and our business model is both complex and elegant, it includes boots on the ground providing HVAC, plumbing and electrical services, both through companies in which we've made investments as well as third-party providers, we're building out a B2B SaaS software company that will have both software and services for contractors, OEMS and distributors, and we're also creating the first of its kind distribution on-demand technology, really a fully powered suite of services for consumers that will enable them friction only take care of their homes, so we're trying to bring together the best of old school, when you think about boots on the ground in the best of Silicon Valley, brilliant people, to tie these two things together and serve people, in a matter that's never been done before

Dirk: By... I love it, Michael, thank you. As you know, so one of the things that goes to my mind as I'm listening to, you know, these three big, I think you call them trends, the experience economy, the between demand and supply, and then technology is enabling, you know the words that go through my mind as I listen to you, there is strategic foresight in having the strategic course, I can be able to connect the dots to say, Here's where there is an opportunity, it... Again, one of my premises during this shift tomorrow is we as leaders have got to put more emphasis on and even develop deeper capabilities at the strategic foresight so that we can move towards the opportunities that are gonna happen, we can learn from you in that regard, as well, going forward, and in fact, one of our weeks coming up here, I don't know if it's next week or the week after that, it's gonna be on strategic foresight, in fact, I think it's two weeks from now. So that's super cool. Thank you. So enough to just tell us where the idea came from and what you're actually building, and then all of a sudden, holy cow, the world changes, and we've got this crisis and you've got this concept of moving crisis to opportunity.

Dirk: Can you tell us your guys mindset in this crisis right now, and what you guys are doing...

Vincent: It came back to three things that we did, like one, to set the strategic direction in philosophy, to define the risk and to define opportunities, and that's what we actually are trying to do every day we wake up, invest ourselves like, Why would my business lose... Why would my business when it was just an extra process, but it was important for us to do it without panic and making sure we stay true to who we are as a company, to the landscape and... Where we really believe we have the right way.

Many, like many companies or many people have the instinct to just go do something crazy or go do something, there's the only thing to know how she do, which is usually the trap. I was at eBay when eBay had its security breach, and to me, that was a great example of a company that over-reacted and like they said, Oh, we're gonna lock everyone out of their accounts, which actually created more harm than good on the business. And you see many companies after having a much more measured approach to really tough situations, so to me, as we face the the situation, I had that in mind very much in a number one, leaders, find the right balance.

Vincent: Let's make sure we don't forget who we are, let's make sure we understand your landscape and make sure we keep focusing on where we have the right to win, and from their outline or priorities, which were really simple, secure our business and operations. So we have hundreds, thousands of people in the field. How do you keep them safe, how do we kick... I employ you safe, and how do you make sure we can keep doing business, which was forget opportunities like first, it's like, how do we secure survive and make sure we have a handle on things. The next part was like, Alright, do we have acceleration of our ——— and both on our customer business and on our B2B business, we're very lucky that our business are anchored on things are very relevant to what's happening to the ensure remote services technology or B2B platform providing customer support, online booking for service companies, but again, tapers stay focused, understand what people needed, and I knew what we knew how to do well and where we had real opportunity to accelerate and finally, not forget, I think the wrap around it, which is how we're gonna communicate about it internally, externally.

Vincent: How are we're gonna explain it to investors, customers, employees, and make sure all of that time... And this perspective was really like, we had defined the problem and you find what you wanted to do, then when you create an operational plan and to do that, which was really important us to do it bottom up with our employees. It's very easy to have the reflex to say, Alright, give to me the steering wheel, I'm gonna do it, because we were making shifting priorities because we were gonna move resources from things we used to do, three things we're gonna stop doing, because we had to stop, accelerate it was really platform that he... And organically from the team, **so we give the problems with the team and told them**, we want the security operations on to accelerate services, we want to accelerate the B2B remote service, and then let them in a few days come back to say, alright, that's what we believe we should be doing... And that we did really two things, One, it was their plan, it was not pushed down, they were not like on the receiving end of it, people who had their projects cut or power shifted.

Vincent: You didn't see it as like, Oh, well, you know what? You don't care about what I'm doing is important. They were the first one. You say, I know it. That's what we should be doing. That's our plan. And I think it also meant the or the short encourage to make this bet to stop these things, but do it as a company and do it very openly, which meant that now the organization is fully aligned to achieve objectives versus something new or some shift coming. And the third one was in, how we're gonna operate. I very much believe in excellence without courage. But Blu don't be here every day, and in these tough times, you can... People can do a zero for one day, for two days, for a week, if you've been in a month, you don't wanna create a way of working and a feeling or a company that everything's on fire and that... We have to do everything every single day, so **we had to pivot, we had to accelerate**,

we had to be focused, but mostly we had to do it in a way to sustain the long-term for people, so creating the environment so people could be excellent product generate with that interview like zeros every day, or go beyond what they could do with important...

Vincent: Anybody, quickly iteration. We move from pushing code every week to push in code daily, for example, which was like... It's a small thing, but he's a great muscle for the team to be...

Dirk: So why did you... Why was that decision made on... I was talking to Michael before we came on, and I guess you've got probably 120-150 people on your science team, your development team, and the like... Why did you move from pushing code weekly to daily? And it's really interesting that you say that because I just before we came on, I'm reading the article from McKinsey and the cadence of how things are moving to shorter cycles is super important that we think about... So Michael.

Michael: Remember Top Gun? So on Top Gun, when the captain said It's gonna... Someone said I was gonna take 10 minutes to fix the catapult, and he said, Bullshit is... They will be over in two. So the fundamental thing we're doing is we provide essential services, our boots on the ground are fixing HVAC systems, plumbing electricity for consumers, for senior citizen homes for people who need it now... Yeah, covid, notwithstanding. **So we fundamentally had to launch remote services, which is remote diagnosis, remote assistance and remote sales capabilities, and be able to deliver contactless services right away. We didn't have 10 minutes to fix the catapult, we had to do it now,** And my favorite story, if I can tell you one story, so we actually by text at a gentleman who had been suffering from pneumonia, his HVAC system was out, he had to have it replaced, and we literally over-text and then over video did the whole diagnosis realized it had be replaced and arranged for contactless installation of a new system without him ever being compromised at all, and then when we built that system out, we actually now through our B2B partner, have pushed it outwards being offered to thousands and soon next week actually to many many thousands of contractors, so they too can now leverage the system to deliver contactless services to their customers, to be able to chat with their customers, sell product and engage. So we intensified it.

Dirk: Isn't that something... And did you have to... Was that remote? So was that remote access on your roadmap, but the net... But it just needs to be accelerated. Yeah.

Vincent: So I think, again, I can... Going back to thing, things that we know how to do and we know how we... To win, we have been doing a remote and ____ remote services for the past six months, I think we're one of the first companies really doing it at scaling spring, the customers, but who were building it, I would say, amongst other things, and in pretty... Lots of foundation in place, he forced us to think, how can we do a quicker... We scale quicker. Going back to answering your question on like what... Why do we wanna ship daily or just weekly. When we ship weekly, you have a week cycle of it, something's broken. Is it working? Let me wanna do something else like this weekly cycle is to me me, as a way to initiate. Say, if you break your bread, I'd rather keep it right today is it tomorrow, then wait a week. Do you know that he's very broke and then fix to week later, so all of that was part of what we were doing. We just decided to greatly accelerate the scaling of the system.

Dirk: I really appreciate it, and guys, something else is going through my mind. Next week, we're gonna be focusing on culture, and one of our guests is gonna be the chief people officer for a great consulting company, some of our guests have met him already by the name of PARAVIDA, and the chief people officer has written a positioning statement on the importance of safety in terms of the value propositions for all companies going forward, the safety of the employees, the safety of the consumer, and I see this remote access, how you guys have pivoted so quick, there's another strategic force it that you guys are playing into, that the world is going to be demanding going forward, it sounds like

Michael: Last week we delivered about 50% resolved, about 50% of the calls that were appropriate remotely, and then when we send out technicians, they already know what's wrong to have the right equipment. So our contact list service, in terms of being able to go into a house and do it without having to talk a lot to the customer, it has gone up, as well as the one call resolution, it's gone up double digits, so we're able... When you think about safety for our technicians, you think about safety for the consumer, we fundamentally have changed the game, and it all goes back, and I completely agree with the comment about safety overall, because everything we've looked at... The first thing we had to deal with was taking care of our people, number one was how do we protect our technicians providing emergency services, how do we provide the ability for our people to work from home, and then importantly, we actually have had hundreds of people who've been furloughed because of the state requirements, so how did we take care of their dignity and were actually are training many of them, and now he actually has licensed technicians to be on the phone beyond video, beyond the computer and work as remote systems technicians.

Michael: So we're fundamentally changing their jobs and we're doing it that fast, like getting the catapult fixed in two minutes.

Dirk: This is so cool. And everybody drill down either Michael or Vincent on the word dignity for me right there, you had to protect their dignity. Tell me what some of your thinking on that, please.

Michael: As you think about what happened in the 2008 to 2012 period, millions of people lost their jobs, people lost their businesses, it's worse now, 'cause it's compressed into weeks, not years, and as you think about what drives a human being, human dignity, our core values to be a positive force, and we bring it to life two ways by improving home life and improving work like. We've worked so hard to get these technicians, we say in our company, **we don't wanna be the best place to work, we wanna be the only place where people wanna work** so we've worked so hard to attract the best talent and to take great care of them, literally, we wanna put them on a pedestal and worship on... So in this crisis, we wanna do the same thing and we're working doubly hard to get them back to work, but we're only doing that with the most stringent safety requirements where actually the industry have set up working groups already for our peers in the industry to help them learn from what we're doing, and we wanna be sure when everybody comes back to work just like a pilot's got his her checklist, we're gonna do everything with that level of perfection, so dignity is a big part of it because you've gotta take care of them in terms of their mental health as well as their physical health.

Michael: And then mental health is a big part, and that's where dignity comes in, giving them real things to do, taking great care of them.

Dirk: Well, I love it, thank you that... That's real important. So I really appreciate that. Thank you guys. I'm sorry, we are up against the clock, I can't believe... Where does this time going, But Vincent, can you... And you kind of put a put a bow around ... think about everything you guys have been doing in this crisis and think about... Part of your model, as you guys know, is distribution... Who is 90% of the people on here? Vincent, any thoughts from your perspective in terms of key lessons, key areas of focus that as a traditional distributor is thinking about shifting to tomorrow coming out of the stronger than they went into it. What are the top one, two or three things? You'd recommend to use...

Vincent2: Yeah, so I think that to me, like the 1 is gonna be the age of DIY and people will do much more themselves and they will want parts delivered at home and to get help remotely to try to do it. And I think we're seeing people ask that from us, we're seeing when people contact with remote assist and they missing a part, they're like, Okay, great, I'm gonna order it, I'm gonna go to Home Depot and then I'm gonna call you back and I won't do it. Be myself, And I think riding that wave and supporting the DIY movement, which is gonna happen as people, I would want to avoid a direct contact as much as they can, is I think something fascinating for distributors to think about.

Dirk: Can I ask you a silly question there I am the least technical guy in the room... Alright, Michael, you just set the difference between the type of screwdriver or whatever... That's me. Okay, but as you're talking, I'm also thinking about this movement, everybody needs to want to learn now and Vincent, and you were just encouraging me to say, Well, if somebody could walk me through a process of fixing X, talk about dignity, I talk about me growing as a person... Is that this model? Or is it... You just get it next.

Vincent: The reward, the immediacy of the solution, the immediacy of **the solutions is becoming standard** or you don't have to wait two days to have your being fixed or someone come to your home, but you can take it over yourself, all of that is evolving with this model. I think it's... We've generated a million content recall the past two weeks, or machine learning, we're gonna have 100 million by the end of the year, all of that leading to content so people can learn on their own and self-serve, get the insight if they need... And worst case, get someone in their home, but really... It should be what, this is where people are gonna start. And if we can all together in the industry enable people to do it on their own, to great doing it, to do it immediately, by getting them the right information, the right parts at the right time, and then you can take control of the experience. I think it's gonna be absolutely fantastic.

Michael: And if I could add one thing to that dirt, it's not that the consumers have to do it all themselves, there's some who wanna do it, they'll be more a majority who still relying a contractor.

Michael: The key thing I would say to a distributor is do what Andy Grove and Gordon Moore for themselves in the 80s, fire yourselves and say... And you've written a book saying, distribution as you know it is dead, it is, so how do you connect all the dots, how do you bring that circle together, so the consumers at the center, the contractor is a big part of it, the distributor is a big part of it, the OEM is a

big part of it, and that's what we're working to do. And we think as we do that, it fundamentally changes this industry for the betterment of everybody, because the consumer doesn't care where the part comes from, they don't really care who fixes it, whether they do it, a contractor, fix is it... What they care about is, I have a problem, I wanna have a relentless solution focus, problem solution, and that's what HomeX is trying to build.

Dirk: I love it, guys. Two things real quick. Okay, let me see here. Somebody from Atlantic Electric asks How much pushback from your existing teams to buy into the new culture, I'm gonna guess, 'cause we're running it up on the clock, I'm gonna guess that because of the process that you did it... Because of the process that you were called, you laid out the new vision for the next period of time, and then you said, guys, you go away for two days and tell us how we're gonna do it, it really generated that buy-in, is that fair?

Vincent: Yeah, absolutely, this bottom of approach was very important. Some people thought we were overreacting, and I'm sure all of you and all the companies that I was... Oh yeah, it's not gonna be that bad. That evolved... That didn't really matter. The key for me is to not tell them what exactly we're gonna do, we had to communicate "here are the problems we need to solve together", you guys go and figure out the plan, which we can solve these with.

Dirk: Guys, I really appreciate this. And if you don't mind, as I build out the next weeks, I might call you guys back, I really wanna... I'd love to learn about how you guys solve big problems, 'cause you guys love doing that, and if you wouldn't mind sharing that... Let's talk again. Okay.

Michael: Thank you.

Vincent : Thank you so very much.